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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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19 August 1983

EAST EUROPE REPORT

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CONTENTS

INTERNATIONAL AFFAIRS

Economic Cooperation With CEMA Countries Discussed (K. Starzyk; NOWE DROGI, No 5, May 83).....	1
---	---

HUNGARY

Financial Aid for Small Businesses Outlined (HETI VILAGGAZDASAG, No 29, 16 Jul 83).....	13
Schedule for Railway Electrification Published (NEPSZABADSAG, 23 Jul 83).....	16
Organizational Changes in Construction Industry Explained (K. Bossanyi, NEPSZABADSAG, 14 Jul 83).....	17
Long-Term Development of Agriculture, Food Industry Outlined (B. Palovics;GAZDASAG, No 1, 1983).....	21
Article Examines Role of Small Agricultural Producers (P. Vincze; MAGYAR HIRLAP, 25 Jun 83).....	41

POLAND

Economist Views Monopolies, Progress of Antitrust Draft Law (J. Mujzel Interview; ZYCIE WARSZAWY, 13 Jul 83).....	62
'Polonia' Foreign-Owned Capitalist-Type Firms Defended (Various sources, various dates).....	66
Excessive Criticism Deplored	
Recent Criticisms Answered	
Healthy Competition Provided	
Conclusions of Conferences	

Implementation of Economic Reforms in Foreign Trade Discussed (Various sources, various dates).....	78
--	----

1982 Results

Development of Exports

Economic Reform Official's Commentary

ROMANIA

Need To Increase Production of Natural Gases (N. Blaga; REVISTA ECONOMICA, No 22, 3 Jun 83).....	103
---	-----

Progress in Construction of New Energy Installations (V. Boescu, C. Barnea; REVISTA ECONOMICA, No 22, 3 Jun 83)..	107
--	-----

Measures To Improve Agricultural Activity (O. Popescu; REVISTA ECONOMIC, No 22, 3 Jun 83).....	112
---	-----

Briefs

Decline in Oil Production	118
---------------------------	-----

YUGOSLAVIA

Causes of Low Productivity Cited, Analyzed (M. Popovic; START, No 372, 23 Apr 83).....	119
---	-----

Production, State Purchase of Wheat, 1970-1982 (DANAS, 5 Jul 83).....	127
--	-----

ECONOMIC COOPERATION WITH CEMA COUNTRIES DISCUSSED

Warsaw NOWE DROGI in Polish No 5, May 83 pp 152-164

[Article by Kazimierz Starzyk]

[Text] Economic cooperation with foreign countries is playing an ever-increasing role in the development of Poland and other CEMA countries. This arises from the influence that it exerts on the rate and direction of this development by facilitating access to external production resources such as modern machinery and equipment, raw materials and other materials, new engineering and technology, and also because it enlarges the range of production thanks to export. The growing role of this cooperation is also revealed in its increasing effect on management efficiency, which is the basic determinant of the strategy of the intensive development now being achieved in the CEMA countries. Economic and scientific-technical cooperation plays a fundamental role in the implementation of this strategy. It will also largely determine the development of our countries in the future and their place in the international division of labor.

1.

The basic element of economic cooperation within the framework of CEMA is the principle of socialist internationalism, which is a carryover of the principle of proletarian internationalism into the sphere of international relations. This principle signifies the right of every country in the socialist community to receive aid and also binds the country to give aid. It also constitutes the essence of the long-term treaties entered into between the individual socialist states on friendship, cooperation and mutual assistance--treaties which are of basic importance for the development of political and economic cooperation between these states. For Poland, the treaty on friendship, mutual aid and postwar cooperation with the Union of Soviet Socialist Republics, signed 21 April 1945, is of fundamental importance. This treaty provided the bases for lawful international relations between Poland and the USSR, based on principles of socialist internationalism expressed in respect for sovereignty, equality of rights, fraternal assistance and mutual advantage.

Bilateral treaties on mutual cooperation and assistance and multilateral treaties, among which the 1955 Warsaw Pact is of primary importance, are the political and legal basis of the alliance of the socialist states. One of its demonstrations is economic cooperation developed within the system of socialist integration, cooperation given direction by the Council for Mutual Economic Assistance. Its establishment was the natural consequence of an earlier developing universal economic and political cooperation, within which bilateral mutual cooperation and assistance treaties were formed.

In fulfilling basic economic functions, CEMA from the beginning of its existence was the organizer of long-range economic and scientific-technical agreements, ensuring the individual countries deliveries of machinery and equipment, raw and other materials for production, as well as industrial consumer goods and agri-food articles, indispensable for the implementation of their socioeconomic development programs. It developed a mechanism of cooperation which is being constantly improved and expanded. This is essential in view of the steadily growing range of cooperation and the change in the determinants of the internal and external socioeconomic development of CEMA countries. At the present time, almost all areas of social and economic life in the CEMA-member countries are under the direct or indirect influence of this international economic organization of socialist countries.

The turning point in the consolidation and expansion of economic ties in the CEMA countries, and also in the improvement of forms and methods of cooperation, was the acceptance in 1971 at the Twenty-Fifth Session of the CEMA in Bucharest, of a "Comprehensive Program for Increasing and Improving Cooperation and Development of Socialist Economic Integration of CEMA-Member Countries". More suitable conditions existed at that time for joint solving--both on a multilateral as well as a bilateral base--of the most vital socioeconomic problems of the CEMA countries. It also became possible to develop long-range trade, production, and scientific-technical ties, that is, those interconnections which constitute a basis for intensifying integrational processes within the CEMA. The next important step in directing cooperation of CEMA countries was the passage in 1975, based on a comprehensive program, of a resolution at the Twenty-Ninth Session of the CEMA in Budapest on the development of long-term directional programs of cooperation of CEMA countries covering the period up to 1990. The strategic role of these programs in increasing the cooperation of CEMA countries and solving economic problems of member countries and the socialist community as a whole was linked mainly to the fact that they form the framework for the coordination of plans for the socioeconomic development of CEMA countries for the years 1981-1985 and later, and outline the directions of long-range cooperation in the basic areas of economic activity.

The program for cooperation in meeting fuels-energy and raw-materials requirements is of primary importance. It covers the most important types of fuels, ferrous and nonferrous metals, chemical rawstuffs, and electric energy. The program also includes continued development of deposits of indispensable raw materials and methods of obtaining new sources of energy, mainly through development of atomic energy.

The next program concerns machinery and equipment. Its main assumption is that an increase in the division of labor within CEMA countries will occur primarily by way of development of specialization and coproduction. The result of the planned development of the above forms of cooperation will be the introduction of modern engineering and manufacturing technology into the economies of CEMA countries, improvement in mechanization and automation, quality and modernity, and the ultimate result will be an increase in overall productivity. In accordance with this program, coproduction will also begin in the area of some types of machines and production flow lines not manufactured heretofore in CEMA countries, but which play a vital part in the technical outfitting and modernizing of economies of CEMA countries.

The directional program of cooperation in the production of basic agri-food articles also includes the problem of meeting the growing requirements of the people of the

CEMA countries for high-quality food items, and also the creation of indispensable reserves in this area. This program also includes provisions pertaining to development of a technical-materials base for agriculture, the application of chemicals in farming, and land reclamation. This program also envisages development of cooperation within the CEMA aimed at fully satisfying the needs of the food industry for packaging, and also at stimulating a mutual exchange of agri-food articles, e.g., through broader application of seasonal prices and possible establishment of special funds to finance and stimulate the production of farm and food articles. An important aspect of this program, and of the remaining ones, is wide use of results of scientific and technical cooperation of CEMA countries in the implementation of the program, not only in the field of agriculture but also in the other sectors of the national economy which support its development.

Implementation of the next program concerning cooperation in the field of industrial consumer goods will occur mainly on the basis of production cooperation, i.e., specialization and coproduction, and production-investment joint ventures, both in CEMA countries as well as in third countries. They will be undertaken principally to increase the supply of raw materials for production of industrial consumer goods. This program is particularly important because the primary goal of the strategies of socioeconomic development of CEMA countries is a systematic improvement in living standards; import of consumer goods plays a growing role in this process.

The program of cooperation in the areas of transport and communication is also very important because a growth in availability of transport services is an essential condition for the successful development of trade exchange by CEMA countries. Cooperation within the framework of this program consists mainly of the establishment of a uniform transport system in CEMA countries which would integrate different systems of transport, i.e., rail, sea, river, air, vehicle and piping. The objects of the work conducted within this program are also the specialization and coproduction ventures in the field of railroad rolling stock and other transport equipment, and also standardization of operational regulations.

The basic feature of the long-term, directional programs of cooperation of CEMA countries to the year 1990, as described above, is that they make it possible to harmonize the interests of the entire grouping with the interests of the individual countries and yet each country will continue to independently direct its development in the areas covered by the specific program of cooperation. The long-term directional programs of cooperation are an important step on the road to increasing the effectiveness of the outlays of live and objectified work in the economies of CEMA countries, an effectiveness achieved by combining financial, material and human resources to solve, on a multilateral plane, the vital problems that confront the national economies of the CEMA countries. The implementation of these programs is a very important premise for strengthening the material bases of the community of socialist states and is an essential act of political significance.

2.

The significance of the long-term directional programs of cooperation for the economic development of the Polish People's Republic was underscored in the resolution of the Ninth PZPR Congress: "The Congress affirms our vital interest in fulfilling the long-term directional programs of economic cooperation of the CEMA countries,

especially as they concern the management of energy fuels and raw materials, and the supplying of the food economy with modern technical means"¹. Joint solving of economic problems, which determines the essence of international economic integration, became--beginning in the 1970's--the correctness which characterized the socioeconomic development of the countries making up the community of socialist states. It is an important element in the growth of the importance of CEMA countries in the international division of labor.

Even in the early 1950's the CEMA countries' share in the world's generated national income amounted to approximately 17 percent, and in industrial production it totaled about 18 percent. The developed capitalist countries at that time generated three-fourths of the world's industrial production and 69 percent of the world's national income. Currently, the CEMA countries generate approximately 25 percent of the world's income and approximately 35 percent of the world's industrial production, while they account for approximately 9.3 percent of the total number of the world's inhabitants. The CEMA countries today surpass the United States and the EEC countries together, for example, in the extraction of crude oil, iron ore, the production of artificial fertilizers, sugar, sawn timber, and many others. In the late 1970's they generated over one-and-a-half times as much electric energy as the EEC countries, over three times as much gas and crude oil (in terms of standard fuel), and also over one-and-a-half times as much pig-iron, steel and cement, almost three times as much cellulose, over one-and-a-half times as much sulfuric acid, and approximately one-and-a-half times as much cotton textiles and footwear.

In comparing the level of economic development achieved by the CEMA countries with the rest of the world, and particularly with that of the most highly developed capitalist countries, we cannot omit an assessment of industrial production from the standpoint of quality and modernity. Although as concerns many industrial products or subsectors we cannot yet compare with the leading producers in the capitalist world, nevertheless here too the CEMA countries have made tremendous progress, as demonstrated, for example, by the application of our own engineering and technological findings at the highest world level, starting up the production of many important industrial products from the ground up, and even entire subsectors or branches of industry. This progress can also be measured by the attractive offers for export of industrial products now being made by CEMA countries to foreign partners, including those in the highly developed capitalist countries. Another measure of this progress are the capabilities of the CEMA countries in the area of export of engineering and technological ideas, occurring, for example, in the form of sales of licenses and patents. At present, not only from the standpoint of total amounts of national income and industrial production but also in terms of one inhabitant, the CEMA countries hold leading positions in the world's statistical tables.

From the beginning of CEMA's existence our country has shown a great deal of initiative in outlining the directions of its activities and in developing principles of cooperation. Active participation in the Council's activities and comprehensive and mutually beneficial cooperation with member countries assist in the Polish People's

¹Ninth Extraordinary Congress of the Polish United Workers Party. Basic Documents and Materials, Warsaw, 1981, p 127.

Republic's socioeconomic development. Cooperation with CEMA countries in solving complex and very difficult problems of the People's Republic's economy is very important at the present stage. "We have great hopes," states the report of the PZPR's Central Committee delivered at the Ninth Extraordinary PZPR Congress in July 1980, "that with the development of our economic relations with the CEMA countries, and particularly with the Soviet Union, that we will come out of the crisis. The success of the program for stabilizing our economy is closely dependent upon increasing our participation in the implementation of the program for socialist economic integration. We are grateful to the fraternal countries for the assistance and understanding they have shown us in our difficult situation. We will do everything in our power to comply with our agreements on mutual deliveries better than we have heretofore".²

The aid given us by the USSR during 1980 and 1981, especially the additional deliveries of consumer goods and raw materials, material and financial credits, as well as gifts, was extremely important. During 1980 and 1981, that is, during the most critical period in the collapse of the Polish People's Republic's economy, Soviet aid amounted to approximately 4 billion transferable rubles in the form of material and financial credits. This made it possible to purchase additional goods--above those agreed-upon in the trade protocol--and to cover the price differences that occurred during 1976-1980 due to the increases in prices on the world market, and especially in the prices of raw materials; approximately 1.5 billion US dollars, including 465 million dollars in the form of nonrepayable assistance, which we used for repayment of debts in capitalist countries and to make additional purchases on the open-foreign-exchange markets.

Another manifestation of assistance was the confirmation by the Soviets of commitments regarding deliveries of goods and services to Poland ensuing from preliminary long-term decisions by planning organs of both countries for the years 1981 and 1982, despite the fact that Poland was not in a position to confirm all of its commitments. In 1980 the Soviet partner fulfilled all of his commitments within the established time schedules, however the Polish side completed a number of deliveries late, and many of them were postponed to 1981. Both in 1980 as well as in 1981, the Soviet partner has been adjusting delivery schedules to the current needs of the Polish side, irrespective of other prior deadlines. Many goods, and particularly raw materials and materials for production and consumer goods, were delivered ahead of schedule.

At present, talks are being conducted on the subject of fuller utilization, with the assistance of the USSR and other CEMA countries, of production capacities in many branches of industry, including the chemical, metallurgical, machinery, telecommunication, construction materials, and light industries. This will depend on additional deliveries of raw materials and other materials for production and co-production elements, and also on the participation of the Soviet partner in the completion of construction of various industrial facilities, temporarily suspended due to lack of materials and financial means (particularly in convertible currencies). The additional production thus obtained would help to meet the needs of the countries involved in a given venture, and could also be allocated for export to other CEMA countries and in other directions.

²Ninth Extraordinary PZPR Congress..., p 47.

After the economic situation in our country becomes stable, we will repay the economic aid granted to us by the CEMA countries--aid we now need so badly. Poland possesses a large and modern economic potential and will do everything it can to meet its commitments to its partners, the CEMA countries, both as concerns deliveries of raw and other materials, coproduction elements, as well as machines and equipment and other essential goods which are the object of our export. We regard the increase in exports to CEMA countries as the key element in the long-range strategy of Poland's socioeconomic development. A steady increase in exports is an essential condition in discounting the benefits brought by cooperation with the CEMA countries. A steady increase in the size of export, on-schedule deliveries of suitable quality, and new proposals in the areas of specialization and coproduction, are now not only the basic factor determining the necessary import from socialist countries, but also indispensable if Poland is to again be regarded as a reliable and credible partner in economic cooperation with countries abroad.

3.

The most significant indicator of the role of economic cooperation in CEMA countries, for Poland's economy, is their share in total turnovers, which at the beginning of the 1980's amounts to approximately 60 percent of Poland's turnovers. The USSR's share in recent years totaled approximately one-third of Poland's turnovers. In 1982, Poland's imports from CEMA countries amounted to approximately 530 billion zlotys, and exports totaled 500 billion zlotys. The margin of imports over exports was almost entirely attributed to turnovers with the USSR. In turnovers with other partners, except for the GDR, Poland had an excess of exports over imports. The importance of economic cooperation with CEMA countries, and especially with the USSR, for Poland's socioeconomic development, is due also to the fact that it is the source of raw and other materials for production and a factor in market balance, and an instrument that assists in creating an export capability and facilitates development of quantity production. The key importance of Soviet deliveries of engineering and technology during the 1970's is shown by the fact that they covered over 30 percent of Poland's investment imports. In many important items this share is much larger. Late in the 1970's, in the case of air transport means it amounted to 88 percent; ball bearings, 36.6 percent; tractors and vehicle chassis, 85 percent; excavators, 85 percent; bulldozers, 91 percent; and metalworking machines, 32 percent.

Another essential function of cooperation with CEMA countries, and especially with the USSR, stems from the size and structure of raw-materials deliveries. These deliveries very greatly determine the development and functioning of our country's production potential. In the late 1970's, the Soviet's share of deliveries to satisfy the import requirements of Polish economy amounted to approximately 40 percent (including crude oil, over 90 percent; natural gas, 100 percent; iron ore, 77 percent; manganese ore, 69 percent; nickel, 100 percent; aluminum, 53 percent; chromium ore, 60 percent; cement, 80 percent; fiberboard, 96 percent; wood for industry, 76 percent; potassium fertilizers, 79 percent; cellulose, 50 percent; cotton, 78 percent; and asbestos, 69 percent).

The development of Polish economy meant that our country also became a worthy and equal partner of the Soviet Union and the other CEMA countries, meeting part of its import requirements for machinery and equipment, raw materials, and industrial

consumer goods. The importance of the cooperation of CEMA countries with Poland is shown by the fact that at present in their imports we hold a leading position where many goods are concerned. For example, among the large number of suppliers to the Soviet market we held, late in the 1970's, first place as regards ships and ships' installations, electro-engineering equipment, excavators, equipment for the construction materials industry, paints and lacquers, hard coal, sulfur, zinc, wool and wool-like fabrics, synthetic dyes, etc. We were in second place in USSR's imports of railroad rolling stock, equipment for the wood-paper industry, knit products, pharmaceuticals, leather footwear, soda ash, and silk and silk-like fabrics. For other CEMA countries also, we are an important supplier of an entire series of goods, both investment as well as raw and other materials for production and industrial consumer goods.

Along with trade cooperation Poland is also developing other higher forms of international cooperation with CEMA countries, and especially production and scientific and technical cooperation. Poland was always an active advocate of developing higher forms of economic cooperation, particularly within the CEMA, as has been frequently evidenced in party and state documents. Higher forms of cooperation are the basic planes on which engineering, technological and organizational progress is exchanged on the international arena. They are also the most effective forms of increasing the participation of the CEMA countries in the international division of labor.

The fundamental role in the production cooperation of CEMA countries is played by specialization and coproduction, which for these countries are becoming increasingly important elements in the development of economic cooperation with countries abroad. Its beginnings go back as far as the 1950's. At that time Poland began to specialize--mainly in relation to the Soviet market--in the field of complete industrial facilities and rail and floating rolling stock, deriving large economic benefits from this. In the 1970's, irrespective of specialization and coproduction agreements of a bilateral nature, multilateral agreements began to play a larger part in the specialization of production in CEMA countries. Based on this, Poland expressed a readiness to increase specialization and coproduction in the field of many important commodity assortments, and particularly construction and road-building machines, machines for the fiber and textile industry, products for the radio-engineering and electronic industry, some types of roller bearings, machine tools, ship's engines, complete installations for sugar factories, machines for processing plastics, machines for the production of paper and cardboard, some products in the chemical industry, mining machines and many others. Also equipment for atomic energy power plants and other equipment designed for the peaceful utilization of atomic energy.

During 1971-1975 development of Poland's specialization and coproduction with CEMA countries was conducted on the basis of 30 multilateral agreements and over 160 bilateral agreements. During the latter half of the 1970's Poland participated in approximately 100 multilateral agreements and it concluded over 200 bilateral agreements. Poland's turnovers with CEMA countries as a result of these agreements almost quadrupled in the 1970's. Specialization and coproduction agreements entered into by the CEMA countries are also aimed at counteracting the undertaking of similar production in the individual CEMA countries. They also fulfill a positive role in differentiating the structure of production in the CEMA countries, which

is an essential premise for stimulating economic cooperation between these countries and is an important factor in improving management efficiency. During 1976-1980 the share of deliveries made within the framework of specialization and coproduction in Poland's total exports to CEMA countries amounted to approximately 20 percent; in Polish export it amounted to about 21 percent.

At present the development of Poland's specialization and coproduction ties with CEMA countries is occurring through the implementation of long-term directional programs of cooperation, and particularly the program relating to machines and equipment. Within this program approximately 90 multilateral agreements concluded in the 1970's are being fulfilled. However, despite a large increase in specialization-coproduction turnovers during 1976-1980, there was not much progress in the development of this form of cooperation. Almost all of the increase in turnovers derived from this was chiefly the result of agreements from the preceding five-year plan. Towards the end of the five-year plan, particularly in 1980, a breakdown occurred of some important coproduction subjects, chiefly as a result of the growing crisis situation in the economy of the Polish People's Republic. That is why it is extremely important to extend the existing and verified subjects and to suitably safeguard them in concluding trade and specialization agreements. The establishment of favorable specialization and coproduction ties with CEMA countries, aside from investment cooperation, is one of the key elements of our program for development of cooperation with these countries.

Investment cooperation, particularly in the field of raw materials, is one of the more important demonstrations of cooperation in CEMA countries and is the basic determining factor for further socioeconomic development of these countries. Thus far the problem of equalizing demand for raw materials with supply has not appeared. But for some time now we have seen an increase in the disproportion between the supply of raw materials from domestic sources and the demand for raw materials, which is leading to a raw-materials deficit in these countries, with the exception of the USSR--a deficit which in the future also will have to be made up principally by importing raw materials from the Soviet Union. At the same time the rapid growth rate of domestic USSR requirements and the increasingly more difficult and costly conditions for opening up new production capacities means that in the next few years the CEMA countries will not be able to fully cover their requirements by imports from the Soviet Union within the limits of the present forms of trade cooperation.

The possibilities of appropriately increasing Soviet raw-materials deliveries to CEMA countries depends principally on these countries simultaneously taking joint action in the form of credit participation in developing raw materials bases, providing, in the producer's country, construction services and facilities for the raw-materials industry, or related facilities, and multilateral cooperation of CEMA countries on third markets, mainly in the developing countries. In addition to participating in multilateral ventures, Poland is also involved in bilateral ventures which have a specific importance to other countries. An example of this is the Plock-Birza-Mozejki petroleum pipeline, 440 kilometers long, constructed by Polish workers and specialists. This pipeline is an important part of the system of pipelines through which crude oil will be transported from the Tyumen and Romashkin oil fields in Western Siberia to the European part of the USSR and then on to the West.

Poland is deriving large benefits from the cooperation of CEMA countries in the area of raw materials. As a result of this cooperation we are meeting the needs of the national economy for many years as regards a number of basic raw materials and other materials for production. In view of Poland's indebtedness to the USSR, all Polish deliveries--just as the deliveries of other CEMA countries, linked with the implementation of joint integrational ventures of the CEMA countries on USSR territory--have been included in the count of current deliveries, and the Soviet side has committed itself to make the above-mentioned deliveries over and above the provisions of the long-term trade agreement. In practice, such a solution is far better for Poland than the initial provisions and commitments of the CEMA countries indicated. Under these commitments, countries interested in increasing deliveries of raw materials above the amounts agreed-upon in the long-term agreements were supposed to participate in the form of credit participation. The change in the conditions of this participation is an indication of the understanding of Poland's difficult economic situation and is an expression of the socialist partnership which characterizes the economic cooperation of the CEMA countries.

If these additional amounts of raw materials were to be purchased on the markets of the capitalist countries, they would constitute an extremely large burden on Poland's payments balance. These deliveries would cost much more because current world prices for raw materials imported from the USSR are much higher than the contractual prices in effect in Poland's trade with the Soviet Union. It is calculated that due to this difference in prices, Poland, purchasing crude oil from the USSR, saved approximately 1.8 billion dollars in 1980. In purchasing gas, we saved about 150 million dollars, and in cotton, approximately 75 million dollars. We benefited similarly during 1981 and 1982. Deliveries of petroleum products, pig-iron, cellulose, and other raw materials are also being made at prices lower than world prices.

Problems of raw materials and energy will also be solved by development of the atomic power industry. This was fully reflected in the reports of the Thirty-First Session of the CEMA held in June, 1977, in Warsaw. The essence of cooperation in this area, as decided at this session, is expressed chiefly in the international division of labor relating to production of different types of installations for atomic power plants being built in CEMA countries. The Soviet Union, which for many years has given the CEMA countries scientific and engineering aid and supplies machines and equipment for construction of facilities for the peaceful use of atomic energy, has the basic role in implementing the atomic electric power plant construction program. Also, the CEMA countries are participating more and more in the production of equipment for atomic power plants through specialization and coproduction. Poland has expressed its readiness to produce, within the framework of specialization, steam generators, pressure stabilizers, and heat exchangers in the "Zemak", "Chemak", and "Fakop" plants in Sosnowiec, and in "Refako" in Raciborz.

*

The direction and nature of the scientific and technical cooperation of CEMA countries in the 1970's affirm that the basic tendency in this area is long-range joint planning and coordinating of ventures and joint solving of vital scientific and technical problems by international groups, workshops, coordination centers, and scientific-research associations. Since passing the comprehensive program Poland has signed over 100 agreements with CEMA countries on multilateral scientific-technical cooperation relating to the priority fields of the national economy. Our

country also participates actively in the cooperation of the scientific academies of the socialist countries, which work jointly on many important problems, such as nuclear biology, planetary geophysics, problems of the ideological struggle in the contemporary world, and problems in improving the planning and management of the national economy.

During the years 1976 to 1980 Poland, together with individual CEMA countries, implemented over 100 comprehensive topics of primary importance which were under the direct supervision of the Ministry of Science, Higher Education and Technology of the Polish People's Republic and pertinent central organs of the USSR, GDR, CSSR, the Bulgarian People's Republic, the Hungarian People's Republic and the Soviet Socialist Republic. Topical matters solved jointly with the Soviet partner are extremely important for Polish economy. They include work in the field of power industry, mining, metallurgy, ship's engines, railroading, and the chemical and construction industries.

4.

The development of economic and scientific-technical relations within the CEMA does not mean that the member-countries are proceeding on a path of autarchy and are reducing the scope of their economic ties with the world economy. This would not be in keeping with the character of the CEMA, for one of the fundamental features of socialist integration is its open character. This means that the CEMA countries do not set any joint restrictions in developing economic relations with countries not affiliated with this organization. The decisions of the Council do not impose restrictions on the individual CEMA countries in their development of international economic relations. The CEMA countries, in developing cooperation with other countries, are also interested in higher forms of international cooperation.

The basic condition for the development of economic relations with countries that do not belong to the CEMA--particularly those which have different systems--is development and improvement of cooperation within the CEMA itself. Only then can expansion of the material economic base take place for mutually advantageous cooperation between socialist countries and countries with different socioeconomic systems, and only then can the CEMA countries effectively resist falling into any kind of political and economic dependence on capitalist countries.

Economic and scientific-technical relations between states of differing socioeconomic systems, regardless of the economic benefits they may bring to the cooperating countries, also strengthen and broaden the material base of peaceful coexistence, and the development of their diverse forms serves to promote global security. In the socioeconomic development of CEMA countries, regardless of the primary importance of mutual cooperation, economic and scientific-technical ties with countries outside the CEMA, e.g., with the capitalist countries--mainly those belonging to the EEC--will play an increasing part. Therefore, proper shaping of economic policy towards those countries becomes extremely important. The international economic policy of the CEMA countries, of which policy towards the capitalist countries is a component, does not have a supranational character, i.e., in accordance with the spirit of CEMA, it is not mandatory but recommendatory. Its primary function is to support foreign economic policy implemented autonomously by the individual member-countries.

The economic policy of the CEMA countries in relation to the capitalist countries must be improved because the socioeconomic development of the CEMA countries is determined to an ever-larger degree by the discounting of benefits flowing from their increased share in the global division of labor. Another factor here are the unfavorable changes in the political premises of cooperation between CEMA countries and the capitalist states, which occurred at the beginning of the 1980's. It must be assumed, however, that despite the worsening political climate, East-West economic cooperation will develop, albeit at a slower rate than in the 1970's. This is shown by the economic motives for developing cooperation between both groups of countries, shaped over a long period of time, and also by the realistic approach of many economic circles in the West who are concerned mainly with possibilities of export to the markets of the CEMA countries. In an economic recession, this, for a number of branches of industry of western economies, is an important element in better utilization of production capacity and in bringing about a decrease in unemployment. Imports from socialist countries, especially raw materials for the power industry, and also modern engineering and technology which the CEMA countries possess, are of increasing importance for many western countries.

During the 1980's, direct and indirect attempts on the part of some of these capitalist countries to interfere in the internal affairs of CEMA countries may be an important obstacle to cooperation between the CEMA countries and the capitalist countries. We should continue to expect attempts at such shaping of relations with CEMA countries by certain circles in the West, which may be used as an instrument of political pressure (e.g., credit policy, through which capitalist countries are able to produce small or large disturbances in the economies of socialist countries, in order to then link the elimination of these disturbances with conditions of a political nature). The possibility that such actions may be taken should be brought under consideration to a larger degree than heretofore by the CEMA countries in shaping their international economic policy towards capitalist countries.

This is confirmed by Poland's experience in regard to credit relations with the West. The negative evaluation of the credit policy conducted in the 1970's should be linked not just with the size of the credits drawn and their material structure (in deliveries made on the basis of credit agreements, import of producer goods dominated), but primarily with their insufficient ties with export--mostly implemented within the framework of coproduction agreements. The subjective difficulties of economically producing for export to capitalist countries large quantities of goods of acceptable quality and range began to magnify in the second half of the 1970's by difficulties of an objective nature, principally related to the drop in demand on the part of the capitalist countries for certain goods which were the objects of export by the Polish People's Republic. These difficulties were further intensified in the early 1970's by the discriminatory moves on the part of some capitalist countries, and particularly the United States, whose motives are of a political nature. If we look at it from the long-term standpoint, the credits drawn in the West became more of an obstacle than a factor for development of the Polish People's Republic's economy.

However, disruptions in the political climate in East-West relations, which became a fact at the beginning of the 1980's, are not able to reverse those structural transformations in the world economy that are set in motion by the development of East-West relations. The development of these relations has become the objective,

permanent and increasingly important rule of contemporary international economic relations, and a factor that may help in the economic development of CEMA countries and in their cooperation.

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Economic cooperation with the socialist countries, and especially with the Soviet Union, has become an extremely important factor in overcoming the socioeconomic crisis in Poland and in the reforming of the mechanisms of functioning of the national economy. This is the result not just of the emergency assistance given to Poland by the CEMA countries in mitigating the consequences of economic collapse, but primarily of the ability to base the development of the Polish economy on stable foundations, which the economic cooperation of the CEMA countries ensures. This is especially important for Poland because cooperation with the capitalist countries, as a result of the economic sanctions they have applied, broke down at the beginning of the 1980's.

The application of sanctions, which from the beginning was political blackmail (particularly on the part of the United States), albeit burdensome for Poland, has not brought the results that some circles in the West anticipated. "Who knows," said comrade Wojciech Jaruzelski at the national meeting of the workers' aktiv on 31 March of this year, "whether in the last analysis this bitter lesson does not serve Poland well. If there were a gold medal for service to the CEMA it should be awarded to a certain well-known American politician who is effectively contributing to the economic integration of the socialist countries. Silver and bronze medals, in turn, could go to those western politicians who, submitting to pressure from Washington, severed, contrary to their own long-range interests, economic relations with our countries that had been shaped for decades."³

Poland chose to tighten the bonds of cooperation with the Soviet Union and other socialist countries. This is shown now not only in stimulation of trade exchange and higher forms of cooperation, but also in the offer submitted to the CEMA countries by Poland to participate in utilizing, on mutually beneficial terms, available production capabilities and participation in the implementation of uncompleted investments. The experience of the last three years fully confirms the correctness of such a direction in Poland's economic cooperation with other countries. It shows that we will emerge from the crisis strengthened by new, closer ties with our socialist partners. This will provide a durable foundation for future socialist socioeconomic development and will help in intensifying integrational processes within the CEMA and consolidate the position of the CEMA countries in world economy and politics.

³ TRYBUNA LUDU, 1 Apr 83, p 3.

FINANCIAL AID FOR SMALL BUSINESSES OUTLINED

Budapest HETI VILAGGAZDASAG in Hungarian No 29, 16 Jul 83 pp 36-38

[Article: "Business Financing: Who Has Credit?"]

[Text] In many areas lack of capital is preventing the development of small businesses--it was often said last year at many forums by small businessmen and those who want to assist them. Now the situation is substantially improved: at the most recent meeting of the small businessmen's branch of the Hungarian Chamber of Commerce various financial institutes and managerial offices offered small businessmen new credit and financing possibilities.

Small businessmen can obtain credits from considerably more sources than last year, they were informed by representatives of the Hungarian National Bank (MNB), the State Development Bank (AFB), the National Savings Bank (OPT), the Innovation Fund and the Association of Creative Youth at the most recent meeting of the small businessmen's branch of the Hungarian Chamber of Commerce.

Among the small business organizations the MNB offers credit only to small enterprises, subsidiary enterprises and small coops. The condition for MNB credit is that the business should have a regular income, should meet its payments obligations as due, and show a profit. In addition the credit that may be obtained depends also on the size of the profit. The bank judges each credit request individually. The existence of credit worthy conditions is established by the MNB from the current account and the year-end balance.

The MNB extends two kinds of credit, working capital and investment credit. Working capital credit can be extended for a temporary increase in inventories, and to make up for possible financial shortages arising between acquisition and marketing. Investment credit can be used for construction and for machinery purposes. Working capital credit is repayable in 12 months, investment credit in 10 to 12 years, but in the case of machinery purchases the due date must not extend beyond the machinery amortization period.

Even if all these conditions for credit are met, the MNB can extend credit only if it regards the credit application as justified and the outlay as profitable. The MNB representative reminded the small businessmen that the bank generally cannot loan a sum greater than the complete assets of the business. They also reminded the small businessmen that they must give thorough consideration to whether they should submit the credit request and whether they can meet the amortization deadlines. The interest rates are high: in the case of credit repayable in 12 months 13 percent, and in the case of long-term credit 14 percent. If the borrower fails to make a payment, the bank imposes an additional penalty interest of 6 percent on the unpaid portion of the amount due.

In case of late payment the MNB can exercise its lien right from the first overdue day, that is, deposits arriving to the bank on the firm's account may be used for payments due on the credit debt. Small businesses which request credit from the MNB may turn to the bank branch conducting its account for detailed information on the formal and substantive requirements of the credit. The MNB representative promised that a request for short-term credit can be processed within several days, while a request for investment credit can be processed in several weeks.

The AFB supports small businesses both directly and indirectly, the AFB representative said at the branch session of the Chamber. Jointly with other institutions it has established managerial offices--like Novotrade RT or the Association of Creative Youth--which deal with the organization of businesses and also enter with capital into given small businesses which are judged to be successful.

The AFB also contributes capital to the establishment of small businesses. If the bank judges the marketing prospects as favorable, the sum it may obtain for its establishment may exceed the money the business has available from its own resources.

In general, the bank will contribute 1 or 2 million forints to the establishment of a business; it requires for the most part property collateral and specifies lien rights. Small businesses must repay the sum loaned them not in the form of amortization and interest, that is, not as credit, but as user's fee in fixed sum or in percentage of profit. The fixed user's sum, after a grace period of 1 year must be repaid within 3 to 6 years. The AFB may assume a part of the risk--generally if the business is undertaken with greater than average risk. However, in such cases the user's fee is determined not in annual fixed sums but in percentage of profit. If in the end the business turns out to be profitable, the bank requires 5 to 10 percent of the profit depending on the amount extended and the extent of the risk.

The Legal and Enterprise Organization Department of the AFB, where the credit requests of starting small businesses are processed, may also grant by way of exception user's fee credit--for want of a better name--to small businesses already under operation.

The OTP extends investment credits or working capital supplementary credits to artisans, small merchants, independent and enterprise business work partnerships, civil law associations and inventors.

An OTP loan for construction--a maximum of 200,000 forints is obtainable for this purpose--and for machinery purchases--a maximum of 100,000 forints--counts for investment credit. Interest is 14 percent per annum. For the purpose of a working capital supplement--the purchase of commodities and raw materials--credit may be obtained up to 100,000 forints, at an interest rate of 15 percent.

The repayment period for investment credits is 6 to 8 years, for working capital credit supplements 18 months. The basic principle of the OTP also is that the business should undertake as great a share of the capitalization as possible; in general, the OTP will not grant credit exceeding 25 percent of the wealth put into the small business. On the other hand, up to this extent it is possible for a business to receive a number of credit extensions at one time, and thus in the final analysis it can obtain an OTP loan that is considerably more than 25 percent. The OTP gives the advantage to those who are in the business to satisfy the population's demands, or who want to manufacture items in shortage or import replacements.

The OTP representative also said they want to establish subsidiaries in the near future which in some cases would put capital into businesses in addition to making loans. It would thus share in the profits and write off losses from its capital. Those small businesses or private individuals who apply for OTP credit may visit district or megye OTP offices according to their business site (residence in the case of private individuals). At the branch session the OTP representative recommended that those interested should study Council of Ministers' resolution 2035/1982 (XII.10) on credit policy guidelines. In practice anyone may turn to the Innovation Fund to request so-called risk-financing. This means that if a business is profitable, the Fund--to an extent determined by the possible prevailing agreement and the time repayment terms--may request repayment of two to three times the sum that was made available. In any event the Fund must be repaid whatever it spent on investment, machinery or material purchases in general.

The Innovation Fund supports only the development of Hungarian and new creative products, that is, production but not the ordering of production. A sum made available by the Innovation Fund generally amounts to several million forints, and the applicant will receive a reply to his request within a month after submitting his application, the Fund representative said.

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CSO: 2500/360

SCHEDULE FOR RAILWAY ELECTRIFICATION PUBLISHED

Budapest NEPSZABADSAG in Hungarian 23 Jul 83 p 21

[Text] At present 21 percent of national railway lines, 1,540 kilometers, are electrified. These are the main lines which carry 53 percent of all freight and passenger traffic. MAV (Hungarian State Railways) is continuing its program of electrification. Through expansion of electrification, the ratio of diesel-powered locomotion can be reduced along with use of more costly types of energy.

Diesel hauling is 2.5 times more expensive than electric, calculated in current prices. At present, the railways use 200,000 tons of diesel fuel per year or 14 percent of total national consumption. If projected plans for rail electrification up to the year 2000 are implemented, a savings of half the amount of fuel currently used can be realized.

Only three of the main lines remain unelectrified at present. Electrification of the line Budapest-Pusztaszabolcs-Dombovar-Pecs is now underway. Preliminary work began when the span between the Keleti terminal and Kelenfold was electrified a few years ago and the overhead wires were extended to Ercs. This September, the stretch to Pusztaszabolcs will be electrified as well as the 27-kilometer spur line from Pusztaszabolcs to Dunaujvaros. This was scheduled because of the heavy volume of freight traffic to Dunaujvaros [site of the Danubian Ironworks]. Later this year overhead wiring will be strung to Sarbogard. By next year electric trains will operate all the way to Dombóvár. In 1985, electric trains will run the entire 207-kilometer stretch from Budapest to Pecs.

Plans call for doubling the length of the network by the turn of the century. During the next 5-year plan, lines running to the south of Lake Balaton will be electrified from Szekesfehervar to Gyekenyes as well as between Dombóvár and Gyekenyes. During the Eighth 5-Year Plan electrification of the one remaining main line will be completed between Szekesfehervar and Szombathely. Next year a 34-kilometer section between Aszod and Vac will be electrified. It will be funded by credits granted by CEMA. This will permit expedition of international transit traffic since this section will serve as a bypass of Budapest.

CSO: 2500/395

ORGANIZATIONAL CHANGES IN CONSTRUCTION INDUSTRY EXPLAINED

Budapest NEPSZABADSAG in Hungarian 14 Jul 83 p 3

[Article by Katalin Bossanyi: "In Renovation--Organizational Changes in the Construction Industry"]

[Text] "This is a true construction industry undertaking, but irregular!" the expert said with a somewhat reproving tone of voice after he had studied the operational and interest system of the new-type of affiliate.

What did he find? First of all, that the undertaking required considerably fewer employees than the targets called for, there were hardly any foremen and only a minimum of administration was needed. This would not conflict, of course, with statutory provisions, but the internal incentive which derives partly therefrom would conflict. In fact, the jobs "are brought" by the work managers and brigade leaders, and in some cases by the workers themselves, but it is the director and his deputy who decide jointly whether to tackle them or not. Then they undertake together the implementation of the task--for example, smaller investments and the renovation of houses. After well-performed work, the self-accounting groups deduct their expenses from their sales revenues and pay half of the remainder to the affiliate and the rest belongs to the brigade. And it was no use for the manager of the organization that recently turned from an agricultural construction department into an affiliate to argue; the methods were successful, and they quickly convinced him that it would be better if he aligned the organization to the usual enterprise patterns before the inspection.

Well-founded Criticism

The example is an individual one but still it gives a good sense of the organizational changes that are taking place in the construction industry while indicating the debates and strains stemming from the immaturity of the undertakings. The antecedent was that in recent times a great deal of well-founded criticism was directed at the sub-branch, namely, that the organizational system was rigid and the enterprise too large.

It is worthwhile to examine more closely: what kind of organizational system does the construction industry have today? If we compare our organizations numerically with, let us say, the construction industry in Austria or the

Netherlands, it becomes apparent that our undertaking palette is as colorful, and our organizational pyramid also reflects the international practice. According to last year's statistics, Hungary had 26,823 construction industry organizations, extending from small industries with 2 to 3 skilled workers through tsz [producer coop] brigades and council enterprises with 300 to 400 workers all the way to giant firms with 4,000 to 5,000 workers. And still once we know the personnel and production-value distribution, it is evident why the entire process can be described as overconcentrated. The 114 state construction industry enterprises--which have 90 percent of the modern technology with their 134,000 workers and 82 billion production value--faces, as we look at the opposite pole, the 26,496 organizations of an artisan type with 378,000 workers in a private housing construction industry, whose production last year amounted to 74 billion. This in itself points to the unproportional work distribution and indicates the low efficiency of the state construction industry. If we differentiate the organizations, however, also according to the number of employees, it becomes evident that it is the medium-sized operation which can best adjust to small jobs and to rapidly changing tasks that are missing from the scale of the construction industry.

Giants on the Pyramid

Here are the causes in brief. It was mostly the large enterprises operating at the megye centers or in a given area, or the organization of specialized enterprises located in the capital city and with a national range of functions that were able to adjust more or less successfully to the plan-directive, serial methods. But today their tasks are gradually being modified, and competition is beginning to develop on the construction industry market, although slowly. As a consequence of the excessive specialization and concentration, however, the large state enterprises are starting at the beginning from a disadvantageous position. Primarily because these giant organizations--by virtue of the concentration of their means and the large number of their skilled workers--have lost their area and undertaking mobility, their most important construction industry characteristic. This is also one of the causes of the shortages, the disintegration of the market equilibrium and the enterprise deficits. Therefore, after entering the ring and not wanting to remain on the ground, the state construction industry must carry out a radical organizational reform. And they do not take steps themselves; there will be need for decentralization initiated from above in the interest of the economy.

This was recognized by the large enterprises and last year they began manifold internal organizational developments. A good organizational framework was provided for this by the various associations, the joint undertakings and not least of all the organization and establishment of affiliates. Thus up to now the AEVs [State Construction Enterprises, Veszprem Branch] have committed themselves to establish 34 affiliates or small enterprises. The enterprises that deal with real estate are basing the modernization of their management and interest system on this organizational form. It is of special importance that most of the affiliates are not separating from the home enterprise, and for the most part it is the tsz auxiliary branches and the construction brigades that are changing their names in this way. This characteristic reverse flow of personnel may make it clear to the large enterprises that competition

is becoming keen in the field of renovation work, and thus in addition to the work and market distribution the larger organizations provide the workers with a more secure base and livelihood. Which also shows that--with the exception of the organizations that deal with real estate--the wage level of the affiliates is by and large the same as that of the competitive agricultural builders, while at the same time the achievements and the work organization in the new undertakings--according to last year's experiences--are much higher.

But the separation and independence of a given partial activity are only the beginning. The large construction industry enterprises must also change their business style, their management attitude and their closely related internal management and interest.

The planners, investors and implementers, for example, have come closer to one another. There are some places where this happens with organizational integration: in Szolnok megye, for example, planner and investor form a combined primary contracting organization. As indicated by the KOZTI [expansion unknown] efforts, advisory engineering organizations have been formed elsewhere. The most fantastic is latent in investment primary contracting, or when the large enterprises take on themselves some market research and marketing activities in addition to organizing functions. The Southern Hungary or Hajdu megye AEV began such experiments. Of course, the condition for doing this is that the large enterprises should not stop on the megye boundaries with their work undertakings. There are places where this change in style is also indicated by a change in name: this may appear to be an entirely formal modification, but whoever is familiar with the regular conflicts between area interests and business-management freedom can well understand the motive for the renaming.

Wiser Work Distribution

Recently the EVM [Ministry of Construction and Urban Development] evaluated the enterprise initiatives and worked out a comprehensive organization development program for the further steps to be taken. They would regard it as important that in the future certain departments in large enterprises--for example, the specialized industrial sites, the main construction management, the planning-maintenance and delivery units etc.--be given, in addition to their independent undertaking rights, greater economic independence, primarily in accounting and interest. The EVM has published recommendations on the acceleration of this process.

It would be particularly important if in time in the specialized enterprises--for example ORSZAK [expansion unknown] or VIV [expansion unknown]--the undertaking and interest system became somewhat more diversified. The present monopoly situation can be broken not only by establishing a greater number of similar enterprises but also by increasing the independence of separately operating organizations.

Also noteworthy is the large-scale program started by the No 43 AEV, the goal of which is to introduce full self-accounting by the house factories and to expand the scope of entrepreneurial rights of the main construction management.

Also interesting is the complex development plan for the construction industry machine-supply organization; here it is desired to put the three large enterprises operating separately in manufacture, repair, marketing and loans on one interest track, with the help either of affiliates organized around the coordinating center and consisting of the present factories and repair departments, or of an area machine loan base and joint enterprises.

But the efforts of EGSZI [Institute of Construction Management and Organization] appear to be the most forward looking. It will establish affiliates out of two Budapest and five provincial departments, which will encircle the central intellectual cadre consisting of highly qualified developers and organizers. This organization-development model resembles the large-enterprise organization developments which have gained ground recently abroad and the development of profit centers that have property rights. But this is only one side of the coin. The experiment of the organizing institute differs mainly from other domestic solutions in that the organizational and interest independence of the departments occurs simultaneously and in a coordinated way, but still with consideration for the realization of large-enterprise sub-branch interests.

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LONG-TERM DEVELOPMENT OF AGRICULTURE, FOOD INDUSTRY OUTLINED

Budapest GAZDASAG in Hungarian No 1, 1983 pp 43-59

[Article by Mrs Bela Palovics, advisor to the National Planning Office:
"Long-term Development of the Food Industry"]

[Text] In the period of the world economy's change of era external and internal circumstances are driving, forcing the Hungarian economy to modify its growth path. In order to influence deliberately the process of economic growth, it is necessary to have a clear definition of the lasting social preferences in agriculture and in the food industry. Those provide appropriate orientation for the socio-economic decisions which affect longer periods, and for identifying the medium-range development goals and tasks. It also helps to seize the methods and tools which serve growth.

In order to identify the direction of growth in the future it helps first to familiarize ourselves well with the motivating forces of growth thus far and with the situation that has developed. We must qualify the presently prevailing tendencies and the ones in the process of developing, according to which ones deserve our support, which ones we have to tolerate temporarily or over the long range and which ones whose implementation is justifiably fought with social and economic management tools.¹

The food industry is tied by a thousand threads to the country's general socioeconomic growth. Naturally, selecting the direction which determines growth can develop only within the framework of the national economy's long-range development concept. Agriculture's and the food industry's long-range development concept is prepared for this purpose and is shaped with the cooperation of a whole series of state organs, institutions, research institutions and experts by the exchange of opinions and in the crossfire of debates. The concept discloses the manner and extent to which the food industry can contribute to the country's economic growth and social development in the future, and the external and internal conditions for growth.*

*This article was prepared on the basis of the National Planning Office's and Ministry of Agriculture and Food Industry's material entitled "The Food Industry's Preliminary Long-range Concept" and of the source materials listed in the bibliography.

It may seem contradictory that we are attempting to outline with more or less precision the picture of the future at the very time when even the short and medium-range forecasts cannot be sufficiently reliable. We can prognosticate the way the many factors of socio-economic growth will develop in the next 2 decades, necessarily only within broader limits or as a function of various assumptions, in several variations. But actually the uncertainty in this area is no greater than, for example, 10 years ago. That is, in the early 1970s projecting the prevailing directions forward seemed to be very reliable. This is the very thing that concealed within itself the possibility of unforeseen changes. But now we are aware that in the next decade or two we will have to conform to changing conditions, even though their details cannot be foreseen accurately. Our economy must be made able to make these adjustments.

Writing an article that captures the interest of a broader circle of economists on the concept of the long-range development of a branch is no easy task. We expect a concept to be comprehensive: to include all essential questions of development. In this article we have to do without this comprehensiveness. The size limitations of a magazine article as well as the character of what it has to say motivate one to limit oneself to emphasizing a few questions instead of trying to achieve comprehensiveness. The concept endeavors to grasp the reliable elements of development. In my article I also point out the uncertain questions, the ones that encourage consideration, and even the debatable ones or the ones to be further discussed.

Every concept has elements that reflect continuity, and ones that reflect renewal. The concept in discussion reinforces continuation of the economic policy in effect in our country for a longer period, which develops agricultural policy and food production. In what follows, I will discuss not this aspect of its characteristics but rather the elements which indicate changes and the ones which receive new emphasis or greater emphasis than before.

One more brief look in the past belongs to these introductory lines. For the first time a comprehensive plan concept for the long-range development of agriculture and the food industry was prepared in the early 1970s, and this was reviewed in the mid-1970s, then most recently in 1978. It would be interesting to analyze the process of forming the long-range concept. But on this occasion we will be satisfied with drawing parallels for two important questions between the problems of 10 years ago and the present ones.

There were views in the early 1970s which doubted the need to produce agricultural products for export purposes, and it was even a repeatedly stated assumption that in the domestic food supply we should rely more on the international distribution of labor and on the import of foods less economically produced in this country. In this concept much space had to be assigned therefore to shed light on the problems connected with this. In the early 1980s the recognition has become universal that the

Hungarian economy cannot give up the export of agricultural products within the foreseeable future, and that to the extent of self-sufficiency it is expeditious to produce those agricultural products here at home which can be produced successfully in our country. No general debates need to be conducted nowadays about these questions. But this does not relieve the branch from implementing the requirements of increasing efficiency which in the meanwhile became more strict.

There were various ideas in the early 1970s about the directions of further developing the economic mechanism, the interest system and the financial regulations which prevailed in agriculture. Many people thought that the example of the state-operated industry of the time must also be followed in agriculture: in the areas of concentrated production, centralization and specialization, and a rapid increase in the ratio of production by the large operations, interest in the profits and wage regulation. Only traces of these efforts can be discovered in the long-range development concept of the time, which preferred to reason that the regulatory mechanism suitable for agriculture's characteristics must be preserved and the advantages deriving from cooperative economic operation must be made permanent. In the early 1980s these efforts do not require more thorough proof: the path to be traveled in directing the food industry is not the one that differs from the general path but verily the path which agrees with the general basic principles of further development of the economic management system. That is, these basic principles have in the meanwhile been transformed and have also become enriched with the experience gained in the large agricultural operations.

We could also continue this drawing of parallels in several other questions. This emphasis indicates that from certain viewpoints it is easier to determine the long-range development goals and methods of agriculture and the food industry in the early 1980s than it was 10 years ago. But many things have changed in the meantime.

International Tendencies

In the mid-1970s the dynamic development era of the world's economy ended rapidly--without example so far during the course of history. In this era the growth of agriculture was controlled in the European countries by an industrializing and urbanizing society on the upswing. It follows also from this that its growth in the future will also be controlled by society's changing needs. This is characterized by the slowdown of economic growth the world over; industrial employment is no longer increasing. This situation has created new conditions for agriculture's growth, even if the depression caused by the world economic crisis can be considered temporary.

The "postindustrial" society after the era of rapid industrialization was born in Western Europe not from the victory of plenty but from the crisis of industrial society.² Its characteristics is the narrowing of employment opportunities: the competitive force of the open economy mandates

increased productivity, but the slow-down in growth does not make it possible to compensate for this trend with the creation of new places to work.

The directions of agriculture's growth, which in the capitalist and industrialized socialist countries proved to be the law until the mid-1970s, were based fundamentally on the continuous and relatively rapid growth of the economy and of personal income. Under these conditions the demand for food necessarily increased on both the domestic and the international markets; the increase of agricultural production was characterized by mechanization and chemicalization and also by the increased demand for capital. The number of agriculturist wage earners and the ratio of products produced for one's own consumption or used without industrial processing decreased. But it would be an illusion to extrapolate from these development trends or to assume their return after the present break.

Under these conditions we can evaluate the possible directions of agriculture's further growth on a relatively broad area. Western Europe's agricultural economists are contrasting two directions:

a) The direction which is based on the further expansion of external resources aimed at increasing the export of agricultural products, first of all of the utilization of production tools of industrial origin, and on increasing the productivity of labor has many disciples. The dynamic role intended for agricultural products in improving the foreign trade balance speaks in favor of this, but so also does the reason with the same weight that under the present world market conditions and the ones expected for the next decade "agrobusiness" may be the pulling force for economic growth. That is, agriculture and the food industry are significant absorbing markets of industrial production and services. A portion of the food products will foreseeably find for a longer period buyers easier on the foreign markets than many medium-level products of the processing industries. It is in the interest of survival for industrial capital to expand further the demand of agricultural producers for industry's products.

In the case of dynamic agricultural export the agricultural sector can indirectly create supplementary growth resources in industrial production and in the exchanges of foreign trade. The place it occupies in economic growth cannot be judged on the basis of its direct ability to produce national income.

It must be noted that the export-oriented development has an effect on the domestic food price levels. In an open economy, where export-oriented growth is encouraged, the import of less competitive agricultural products increases.³ In countries where there is practically no import competition in agriculture, all the foods are produced to satisfy the domestic needs, and the equilibrium price of the less competitive products develops at higher levels.

b) In the case of growth aimed at increasing the income-earning ability based on internal resources, instead of increasing the agricultural yields the first place is assigned to being economical, to improving the efficiency of the production tools used. Development is more selective: only the products of branches with favorable efficiency are considered for export purposes. The growth in use of production tools of industrial origin slows down in agricultural production and there are even some experiments to reinstate partially agricultural production based on natural resources. The role of agriculture in employment does not decrease significantly, or may even increase somewhat.

The agricultural population's sphere of activity expands, and with the urbanization of the village the agricultural and the industrial production and services intertwine in the way families living in villages earn their incomes. Part-time agricultural production's gain in space is a typical tendency. With the state's interference being more modest than before, the agricultural production is able to conform to the market's demands.

In practice the two types of directions of growth do not exist in "pure form" anywhere. Not in the Hungarian agriculture either. The development policy simultaneously encourages both directions; perhaps it is no exaggeration to state that the successes of our agricultural economy are to no small measure based on the very coordination of the two types of development policies.⁴

The international and domestic directions indicate that a new process of conforming is needed in agriculture. Besides development aimed at increasing the competitive agroexport and based on the supplementary involvement of production tools of industrial origin, utilization of agriculture's internal resources will also gain strength as will the significance of the economic policy which encourages increase in the ability to earn income.

Strategic Goals

Even in the most developed industrial countries the agricultural production policy is not a negligible area of economic policy. And in countries like ours it fills a role of key importance in the country's life.⁵ Under our given natural conditions the relatively rapid and efficient development of agricultural production and the food processing industry connected to it are an important source of economic growth. During the 1970s the agriculture's and the food industry's share of the GDP [gross domestic production], of export and of the population's consumption decreased somewhat but continues to be much higher than in the majority of countries with a similar level of economic development. Even during the period of rapid industrial growth agriculture preserved the place it occupies in the national economy and in later years its relative weight stabilized.

We define the food industry's general development goals, starting out from the system of goals of society's growth--which is not new but in some respects receives new emphasis--as follows:

- * to fill the population's demand for food as completely as possible--and with as little a cost increase to society as possible;
- * to expand the development resources derived from import and improve the national economy's foreign trade balance by increasing its export-import surplus;
- * to contribute to the country's socio-economic growth through the more efficient utilization of its material and nonmaterial resources by increasing its income-earning ability.

We can add to these the goal that development should ensure a fair income and gradually improving living standards for those working in the food industry. But this is not only and not primarily a branch goal but a goal of society overall.

The goals defined in general terms can and must be ranked differently with the economic eras. In each period one goal or another may be in first place--in addition to the simultaneous implementation of all elements of the goal system.

Our country's growth is closely related to the directions prevailing in the world economy. With the world economic conditions developed in the second half of the 1970s and probably prevailing until the end of the decade of the 1980s the main requirement for the national economy's growth is to decrease the real value of our indebtedness to ease the burden of debt service. No matter how favorable the world market's demand and the Hungarian processing industry's international competitiveness between now and the turn of the millennium, the net foreign currency income that can be earned with agricultural products will remain indispensable. Economical export surplus will be needed in all areas in the now foreseeable future. Therefore in the next 1½ or 2 decades in the line of the requirements the national economy makes on the food industry, increasing the net foreign currency yield of products that can be sold for convertible currencies which are not less or just slightly less economical than the national economic average will be put in first place.⁶

This requirement contains several elements. It assumes adjustment to the foreign market demands and maintenance of variety in production. In addition, improving or even just maintaining the international competitiveness of our agroproducts also requires a relative decrease in our production costs.

Before we would consider the conditions and consequences of the strategy to be followed in Hungary, we will take one by one those given objective natural conditions which define the limits within which our development policy can move, and we will also evaluate the range of developments which can be reviewed with our present information.

Production Potential and Performance Capability

a) Land management

According to international comparative studies, the agricultural land area is shrinking faster in Hungary than in most European countries.⁷ The indexes which show the utilization of land are far from favorable: the quantity of agricultural product per hectare of land area falls short of the leading countries not just because the ratio of livestock raising is low in our agricultural production, but the overall yield of plowland production is also lower.⁸ We can conclude from these data that our country still has many reserves in the utilization of the agricultural land area.

In spite of generally favorable natural conditions a significant portion of the country's agricultural land area is suitable only for achieving smaller harvests because of the physical and chemical composition of the soils and also because of their disadvantageous water management circumstances. Improving the irrigation system, the soil and professional and economical implementation of these improvements is directly related to the production levels which can be achieved. It would be good to double the volume of this work during the decade of the 1980s in comparison with the first decade, and doubling it again in the next decade would be justified. In addition to the regional improvement investments the major agricultural operations should be given incentives to do significantly more rapid soil improvement work than they are now doing, at the expense of their production costs. This could counterbalance the degradation processes which accompany the intensive use of the soil.

During the last 20 years the forested area increased by about 300,000 hectares: an additional area of approximately this same size is awaiting forestation in the next 2 decades. If most new forestation will be done by the major agricultural operations, by the turn of the millennium 40 percent of the forested area will be under the management of the major agricultural operations.

More intensive operation could be conducted on about half of our 1.3 million hectares of grass lands. The minimum goal is to double the 100,000 to 150,000 hectares now used in this manner by the turn of the century.

b) Manpower conditions

In recent years the migration of agricultural manpower away from the land has slowed down in the economically developed countries. But--in spite of the severe employment problems--the ratio of agricultural wage earners continued to decrease in those countries where it was low even to begin with: to 3 percent in Belgium, 6 percent in the FRG, 6.1 in Holland, 8.3 in Denmark and 8.8 percent in France. In the last 3 years (1979-1981) in the European countries the number of agricultural wage earners increased only in Yugoslavia, Portugal, Ireland, Hungary, the GDR and Bulgaria.⁹ Are these trends probably in Hungary for the future?

In our opinion the continued rapid increase in the productivity of labor is a precondition for maintaining the competitiveness of agricultural production. That is, in our country--on comparative prices--the value of agricultural production per agricultural wage earner is only one-half to one-third that of the Western and Central European countries.⁷

In the next 2 decades we expect to increase gross production per wage earner in agricultural activity at the rate of 4 to 5 percent per year, which is slower than the 6 to 7 percent rate of the last 2 decades.¹⁰ The chance for this is underpinned by the further expansion of the distribution of labor and of the cooperation between the large agricultural operations and the small producers.

In the basic agricultural activity, in contrast with 740,000 persons in 1980, at the turn of the millinnium 400,000 to 500,000 persons (about 8 to 10 percent of the wage earners) can be employed efficiently. The manpower prognoses estimate that agricultural employment will be much higher than this. There is also a view according to which the number of agricultural wage earners will not be smaller than at the present even at the turn of the millennium. Based on current tendencies this possibility cannot be excluded. In this case it can be expected that the number of people employed in the auxiliary activities of the major agricultural operations will double, while the performance of this activity will quadruple.

In terms of quantity, more than one-third of the labor used in agriculture is furnished by inactive residents and wage earners in addition to their main jobs. Its productivity is much lower than that of the major operations. In the next 2 decades this significant resource will have to be used as it is now, or even more. This supplementary source of income is rather attractive. By the way, part-time agricultural activity is spreading not only here but also in the economically advanced European countries.¹¹

The key issue is that the interest of the workers in their work performance and in increasing the results of their work should increase also in the large agricultural operations.

c) Fixed-asset demand

The specific fixed-asset demand of agricultural production has increased steadily ever since agriculture's socialist reorganization. During the decade of the 1970s this pace of increase accelerated: the ratio of production in large operations increased and more and more live work is being replaced by dead work. But at the end of the decade much emphasis was given in the investment and state support policies to slowing down the effect of those factors which increase the demand for fixed assets and to encouraging the less costly developments of a reconstructive character. Under the effect of this it was proved by the end of the decade that there are also less costly ways to increase the production capacities of the large-scale operations. Additional reserves were also uncovered in small-scale agricultural production. In most recent years the increase of equipment requirements has slowed down.

Frugality with fixed assets in economic operation is one of the key questions of long-range growth. A turnabout must be reached in the way production's demand for fixed assets is developing: the increase must be arrested in agriculture and slowed down in the food industry.

During the period of the 6th 5-year Plan the investment opportunities are shaped by the consistent implementation of a economic policy aimed at reestablishing the national economy's equilibrium. Therefore at least temporarily the investment opportunities are being restricted. It is very difficult to predict the size of investments that can be implemented in the next 2 decades. It is probable that the investment volume of the decade of the 1980s will be less than that of the previous decade. We can hope for more favorable opportunities than this for the decade of the 1990s.

The foreseeable opportunities for improving the fixed-asset inventory will be able to ensure the 2 per-cent average annual production increase in agriculture, 3 percent in the food industry's production and 5 percent in the supplementary activities only if the specific fixed-asset demand changes as follows:

Specific fixed-asset demand

Identification	Fixed-asset value in forints needed to produce 100 forints of value at 1981 comparable price levels		
	1960	1980	prediction for 2000
Agriculture	100	122	120-130
Food industry	36	56	60-70

At this time we will not detail the investment policy to be followed. We will only emphasize one essential question: decreasing the backwardness of the infrastructure of the most important agricultural areas. Today's agriculture is so infrastructure-demanding that the large agricultural operations are growing the fastest not in the areas with the most productive soils but mostly in the urbanized agricultural areas.¹² Modernization of the obsolete village settlements is a pressing requirement. Urbanization of the village population who make up almost one-half of Hungary's population is justifiably promoted through the more proportional distribution of the central development resources, elimination of disadvantageous discriminations (for example, higher public service fees) and above all the local use of local resources.¹³

d) Industrial foundation for growth

The close interaction between increasing the food production and developing industry will continue. Our food production cannot be internationally competitive without the manufacture of advanced production tools which provide the support for production. Hungarian industry realizes one-fifth of its export production in the food industry and in exports related

to it. The industrial enterprises must be made interested in viewing the agriculture and food industry as important markets and in contributing with initiative to the material and technical foundation of their growth. In this way the possibility of exporting comprehensive food production systems may also expand.

At the present time domestic machine manufacturing covers about 40 percent of the agriculture's machinery and less than that for the food industry: it is justified to increase its share. We can buy another 40-50 percent from our CEMA partners. We buy the special machines which represent the most advanced techniques from capitalist forms. The ratio of capitalist import machines (for example, for the sugar beet and fibrous fodder) and grain harvesting machines is 10-30 percent. Our efforts are to replace a significant portion of the capitalist import machines with machines of similar utility value which are manufactured domestically on the basis of licenses, or with machines imported from the CEMA countries. But the machines that cannot be so obtained we will have to continue to buy in the capitalist countries, or manufacture within the framework of cooperative agreements.

Soil strength replenishment and crop protection are indispensable to increasing the yields of crop production. In Hungary chemical fertilizers have been given the leading role in improving the soil's nutrient content and the use of livestock manure and application of the proper planting sequence have been pushed into the background. A relatively high specific chemical fertilizer consumption has developed by the middle of the 1970s. Since then the efficiency of chemical fertilizers has improved but even now it is not satisfactory. At the same time the growth of chemical fertilizer use stalled, even though chemical fertilizer consumption continued to increase in the European countries in the second half of the 1970s, even in those countries where it was higher than ours.¹⁴ The expected long-range levels of crop yields can be based on the continued dynamic and at the same time on an economical increase in the use of chemical fertilizers. Further studies must be made on how we can make the use of chemical fertilizers more effective and how we can increase the interest of the economic operations in increasing their use.

Among the long-range tasks we will also emphasize energy management. The long-range goals of this are as follows:

- * to decrease the direct energy demand of production, through the use of energy-efficient technologies, and of machinery systems which promote rational energy management;
- * to replace the liquid energy sources used as heating fuel gradually with other energy sources;
- * to decrease the use by the branch of outside energy sources by using wastes and byproducts for the purpose of generating energy and by placing into production other renewable energy sources (for example, solar and wind energy).¹⁵

e) Directions of scientific-technological progress

Scientific-technological progress promises great future results in agricultural production. We had to make up much ground in the last 2 decades: in several areas we have caught up to the agriculture of the economically more advanced countries. For example, the technology of our grain production approximates the most advanced ones found in the world. It is also our long-range goal that our agriculture and food industry should keep up with the scientific-technological progress taking place in the economically developed countries and in some areas contribute to creating the new scientific achievements.

We can expect significant discoveries of the nature of breaking through new horizons in biological science. These may result in new consequences difficult to foresee today in increasing the performance capabilities of crops and livestock.

In our large-scale agricultural operations the most modern production processes can become popular quickly and in large volumes. The integration relationships between the operations and the production systems have a significant role in this. Our centers should continue to collect the domestic and international scientific results in the future which also can be used directly in production, and they should organize the technological development of production.

In agriculture's technological progress more support must be given to the technologies with more modest equipment, energy and industrial material requirements. In comparison with the earlier situation the replacement of labor with technology is a less pressing need, especially in areas where the cost ratio of replacing live labor with dead labor does not justify this. In selecting their development alternatives the farms should pay much attention to the production site and plant circumstances and to the profitability that can be expected under the domestic price and cost conditions.¹⁶

From the technological viewpoint the small-scale production is catching up to the large operations, only it follows much more frugal solutions. If we really want to take advantage of the growth reserves hidden in the small-scale production, we must considerably expand the technological foundations for increasing their production.¹⁷

Connecting research and development in agriculture and in the food industry will have basic importance in the future. The quality characteristics of agricultural raw materials inherently determine the profitability of processing and the quality of the finished products. But during the course of developing the food industry's technologies we must pay attention to the characteristics of modern types which yield large crops,¹⁸ and to the consequences which accompany the mechanization of agriculture.

About 40 percent of the energy content of crops grown on plowfields is contained in the main products, 30 percent remains in the roots and stubble field and another 30 percent is in the byproducts. In addition to replenishing the soil's nutritive strength the byproducts can also be used as fodder, can be converted to thermal energy and may serve as valuable raw materials for certain industrial activities. The significance of byproducts recognized even today can only increase until the turn of the millennium. Research conducted under the direction of the Hungarian Academy of Sciences [MTA] will open up the long-range utilization possibilities of valuable organic materials which can be regenerated and develop the alternatives for complete utilization of the biomass and the programs related to these.¹⁹

f) The degree of processing of foods

Like all economically medium-developed countries, Hungary is also striving to sell its available raw materials on as high a level of processing as possible. Because of this it has been our goal for a long time to make our food processing industry grow much faster than agricultural production.

It is the export strategy of the industrially developed smaller countries with agricultural potential to avoid the competition of large exporters, to create new needs through extremely intensive product development and market research and to sell products with high levels of processing.²⁰

This strategy does not yet characterize the Hungarian food industry. In our country between 1970 and 1978 for each percent of increase in agricultural production there was 1.2 percent increase in the food industry. The difference in rates was much greater than this in the overwhelming majority of the European countries in favor of the food industry. Can this be changed in the next decade or two?

Increasing amounts of products at higher levels of processing are needed to satisfy the demand of domestic consumers. At the same time we also see an enlivening in the food storing activity of the households.

The export's profitability can be determined only with great circumspection. It happens from time to time that the foreign currency production index of some processed products are less favorable than the unprocessed products or with only primary processing. As one of the reasons for this, we must mention the protectionist customs duty systems of the economically developed countries which prevent the realization of the additional expenditures for processing. We must also mention the relatively low productivity of labor, which is related to the obsolete technical equipment in several areas of our domestic food industry and the high prices and not sufficiently competitive quality of the materials of industrial origin needed in processing. The larger profit volume compensates for the declining profit rates that can be achieved in the consecutive processing phases.²⁰

Over the long range we cannot give up on increasing the degree of processing of our raw materials. In addition to increasing the foreign currency volume which can be obtained for the agricultural products, keeping and expanding our markets presume improvements in processing and quality. This of course does not exclude, on the contrary it reinforces the requirement that from time to time, in possession of information about the specific market situation, we should decide at what level of processing we will sell the individual products.²¹

Predicting the Market Conditions

The most exciting question of long-range development is: what will the future bring on the world market of agricultural products. What will be the sales opportunities, and mainly the prices, since our long-range goal can only be to increase the profitable export.

The Hungarian food industry produces for three markets. In the early 1980s two-thirds of the social end products [sic] of agriculture and the food industry went to domestic consumption and one-third for export. Three-fourths of the export are accounted in dollars, one-fourth in rubles. Until now Hungarian agriculture and the food industry were basically able to grow under the conditions of a demand market. This will probably characterize it also in the future, even though the increase in domestic consumer demand has slowed down. There have always been certain sales problems--primarily for seasonal items exposed to large production fluctuations: these increased in number in recent years. Utilization of the temporary surpluses can be made easier by better foreign grade work, by more storage and processing capacity and by state intervention.

Per capita food consumption of some basic items is higher in our country than in other countries with similar levels of economic development. Satisfying the demand of domestic consumers and doing this with greater selection and more valuable foods corresponding to the healthier and more modern consumption structure will not lose from its significance over the long range either.

However, in the way food consumption is shaping up we are witnessing a change in tendencies which makes it more difficult to predict the future needs. While in the first half of the 1970s the product quantity supplied to domestic consumers increased by an average of 3.3 percent per year; in the second half of the decade the growth rate decreased from year to year and stagnated in 1980 and 1981.

Over the long range our country's population will decrease, and its age composition and employment structure will change. We can reliably calculate the effect of this on the food demand. But food consumption is also closely related to the development of incomes, the long-range prediction of which can move only within broader value limits. A rise in the consumer prices of food seems unavoidable. Because of all these things we estimate the increase of domestic demand for food at the rate of 1.0 to 1.5 percent per year calculated at comparable prices over the average of 2 decades.

In judging the foreign market opportunities we can start out from several factors:²²

We can examine the tendencies of the world's population increase and economic development and the increase of the population's consumption needs, comparing it with the opportunities for expanding food production. According to the results of thorough studies by international organizations, the increase in the world's food demand will steadily exceed the increase of production. But it is very difficult to estimate the actual growth of this demand.

World trade is closely interrelated with the great eras of the world's economic growth, which we cannot reliably predict. Even more uncertain is the judging of political factors. In a sharpening international situation the world market position of food may become stronger, and sales may gain strategic significance.

The expected growth of our potential markets is a more reliable starting point. The rapid rise of freight costs warns that we should primarily study the markets near us. The population of our potential markets--not counting the distant markets--is currently about 800 million persons; by 2000 it will increase by another 200 million people.²²

In the future Hungary would be able to take an increasing part in satisfying the agricultural and food industrial import needs of the CEMA countries. But in order to do this it would be necessary to develop some mutually advantageous conditions which encourage the increase of domestic production and export. The Soviet Union is especially significant for us because of its size because it is a huge potential market and also because its need for some foods is increasing faster than its production.

The Common Market will also remain important to us in the future, but over the long range--due to the rise in its level of self-sufficiency and to its protectionist import policies--its purchases are increasingly limited to a smoothing out of crop fluctuations and to certain specialities. The demanding market of the European capitalist countries outside the Common Market with its necessary purchasing power and fewer limitations on its imports promises better opportunities.

Even at the present time the population of the Middle Eastern countries is 200 million persons, and by the end of the century it will increase by 100 million persons. As markets primarily, the oil countries merit consideration.

On the basis of the evaluation of various factors, we can come to the conclusion that the dynamic growth of our agricultural export may continue if our production can conform to the demands of the foreign markets in quantity, quality and selection. It is more difficult to foresee whether the profitability of this export will improve or deteriorate. In our estimation the increase in the world market prices of agricultural

products will be somewhat faster than the price of other products (largely of processing industrial character, and of raw materials to a decreasing extent). By the end of the decade the shift in the price ratios can be estimated at 10-20 percent in favor of agricultural products. At the same time the rise in production costs also cannot be avoided.

Competition not between producers but between national trade policies is taking place on the world market of agricultural products--if we can talk about a world market at all, since with the negotiation of various agreements it has broken up into regional markets. The instability of the markets and the size of business-cycle fluctuations have increased. The export-oriented agricultural development of small countries can be made secure only by international agreements or by agreements negotiated by way of economic diplomacy and the cooperative relationships of enterprises.⁶

The Main Directions of Production Development

A steadily increasing portion of the growth of agricultural and food industrial production is intended for export. From this viewpoint those branches deserve emphasis which have competitive products on the world market, or can be made so within a short time. And yet, reasonable proportions must be maintained between the development of the emphasized branches and the others, since we have to continue to produce just about the entire selection of foods to cover the domestic needs. Contradictory goals must be alloyed also in increasing the export: a reverse proportion is experienced between increasing the foreign currency volume and improving the profitability of producing foreign currency.

We can take advantage of the market opportunities and of the openings which appear from time to time on the markets of the developed capitalist countries if we maintain the versatility and variety of our agricultural and food industry production and export. In some cases we must not withdraw from our markets even if the temporary low in the business cycle involves temporary sacrifices.

Among agriculture's main branches we try to increase production of the plant crops faster. This also lays down the foundations for economically increasing livestock raising. Further shifts can be expected in the structure of crop production in favor of grain production. Our primary interest is to take advantage of the existing opportunities in wheat and corn production.²¹

It is certain that by maximally increasing grain production and exporting the excess we cannot earn as much foreign currency as--in our opinion--the country's economic growth will need from food production. Ranking them according to the net dollar production that can be obtained from one hectare, even at the high foreign trade prices of 1981, wheat and corn did not make it among the leaders of the field of our agricultural products.²³ Increasing grain production must not lead to a one-sided export structure because that would be risky.

In those countries where the agricultural production value per unit area is much higher than ours, the share of livestock raising is much higher in agricultural production than in this country.⁷ Even though the discriminating measures which shape the world market prices primarily strike livestock raising, we still cannot give up on proportional development. The development goals are differentiated:

- * milk and egg production can satisfy the domestic demand;

- * we will provide special assistance and support for meat production by the ruminators (cattle and sheep) to use the "absolute fodders": natural grasses and byproducts for domestic as well as export purposes;

- * we will adjust the growth of pork and poultry meat production to the foreign market sales opportunities. In our opinion a certain amount of increase in meat production is expeditious even if we give grain priority in our export. And if we do progress in improving efficiency--coupling production in the large-scale operations with the small-scale ones also holds reserves for this--the export oriented production of meat and meat products may exceed its past liveliness.

In the horticultural branches we expect no significant quantitative increases, at least in the 1980s. The technological improvement of these branches falls short of the other crop production branches, and its international competitiveness is not good. The tasks before us cannot be characterized by increasing the rate of production: results may be produced by flexible changes to conform to the market's opportunities, quality improvement, the increasing in specific yields, the elimination of losses and the deepening of the distribution of labor between the large operations and the small producers.

Development of the food industry may be based on agriculture's product surpluses and on a higher degree of processing the raw materials.

One question remains: what growth rates can we predict in the branches we studied?

Between 1960 and 1980--according to our calculations of approximate accuracy based on the data of the UN's Statistical Yearbooks--the world's agricultural production increased by 61 percent, that of the Eastern European "countries with central planning" including the Soviet Union by 60 percent and the Western European advanced capitalist countries by 44 percent. Hungary's agricultural production increased by 72 percent in this period.

Besides the prosperity which characterizes the whole world's agriculture, two extraordinary factors helped our 20-year agricultural growth:

- * in this period of Hungary's agriculture and food industry the several decades of shortcomings, or most of them, accumulated prior to World War II in comparison with the agricultures of the economically advanced countries;

* the other essential factor is that large-scale agricultural production and the small-scale production connected with it developed in this period.

By doubling the plowfield crop production, the increase elevated our country from 17th place to 12th place among the 26 European countries. The increase in our livestock raising was only enough to keep our earlier 16th place--even though it also exceeded the average of the European countries.⁸

If our agriculture repeats this 2-decade volume growth, it can grow until the turn of the millennium by an annual average of 1.8 percent, and the food industry by 2.5 percent. Considering also additional quality changes, we predict 2 percent peryear growth in agriculture and 2.5-3.0 percent growth in the food industry. The export can grow much faster than production. If the foreign market salability and export profitability is satisfactory, we can be exporting two and two-and-a-half times as much agricultural produce at the turn of the millennium as in 1980, and the dollar-accounted or similar type food export may triple in size.

But our agricultural production alone does not determine the growth of the large agricultural operations. Their supplementary activity has been significant since 1963, and from then to 1980 it has grown to 93 billion forints. If we assume that the number of people working here will not change and percapita production increases by 4 percent per year, production will double by the end of the century. But if the number of people employed in supplementary activity increases by the same amount as to counterbalance the employment liberated from crop production and livestock raising, by the end of the century the supplementary activity may have the majority in the production of the large-scale agricultural operations, and even more so in their income from sales.

The Path of Implementation

The long-range development concept must find the tools and methods suitable for implementing the economic policy which has been assigned as the goal, rather than putting detailed numerical values on production's future volume. In the future also we can implement the development goals primarily by indirect tools through interests and incentives. The financial regulatory system and the institutional system are integral elements of the economic policy. Only the basic principles of their further development over the long range can be foreseen, and practical application is forged in close interaction with the given circumstances at all times.

Among the elements of financial regulation which depend on the economic policy we emphasize strengthening the state support and pricing policies and strengthening the independence of enterprises.

a) State support to agriculture is a worldwide phenomenon. Knowing the protectionist agricultural policies of the European countries, we cannot make the elimination of this support the goal either over the short or the long range. But we must consider decreasing some forms of support.

A significant portion of the state supports decreases the current costs of economic operation and increases its profits. The gradual decrease of this type of supports can be made a goal over the long range, so that the price developments of the production materials of industrial origin could exert their effect on economic operation.

The circle of investment supports has been rapidly narrowing recently, and it must be in harmony with the prevailing investment policy and with the income position of the economic operations. It will be expeditious also to give various state supports to encourage certain emphasized production development goals in the future.

State support is a lasting element of helping the economic operations even over the long range if they are working under less favorable natural conditions than the average. More support than now will probably be needed to regulate the market and to defend against the destructive effect of temporary business downturns.

b) Bringing agriculture and the food industry into more direct contact with the domestic and foreign markets must be promoted by further developing the regulatory system and by organizational measures, and in addition it will also have to be protected in the future from extreme business fluctuations.

Following the so-called "free world market prices" cannot be definitive in the future either in shaping the levels and ratios of the agricultural producer's prices. These are lastingly deformed by the protectionist measures of the European countries which provide our directions. A large portion of agricultural trade in the European countries is conducted at regional prices without the existence of which the world market price of foods would be higher and the price ratios would also conform better to the production costs. Another important question is that the price of agricultural products is sensitive to the business fluctuations, and one very rarely succeeds in predicting business fluctuations. And relaying the world market's price movements afterwards in a delayed manner would not result in taking advantage of the business fluctuation but, quite the contrary, it would enlarge the losses resulting from it.

Yet what must be done?

Taking into consideration also the differences which exist in the structure of the production costs (the burdens of land commitment, taxation, sectoral differences etc.), the grain-to-slaughter livestock price ratio must be modified gradually in favor of the grain types. The agricultural producers can and must be made interested in as broad a circle as possible in achieving higher export prices and in taking advantage of the

gaps which open up on the world market from time to time. The domestic and export prices of products in significant from the viewpoint of domestic supply (for example, slaughter sheep, domestic rabbit, fish, honey etc.) must be regularly connected with each other. Greater room must also be given to the foreign market's effects by organizational measures and by expansion of the independent export rights.

Agricultural production must be brought into more direct contact not only with the foreign market but also with the domestic market. Maintenance of the approximately 100 consumer price support keys now in effect cannot be justified even with social policy viewpoints. The basic organizing principle is movement of the producer and consumer prices together, and only lasting social preferences can prevail as exceptions (for example, in the consumer prices of milk and dairy products).¹⁷

c) We consider establishing the financial foundations for enterprise independence a basic strategic question. Economic separation of the state and the economic operating organs will increase in the future, and the normality of the regulatory system will gain strength. This will be accompanied by increased responsibility in managing the enterprises. Neither the national administrative nor the social organizations can take over this responsibility. It is therefore necessary to strengthen the independence of the enterprises and bear the advantageous and disadvantageous consequences resulting from this.

Enterprise interest will be in harmony with the national economy's interests when it encourages as full and as efficient a utilization of all the enterprise's resources as possible. The 1980 regulator modifications strengthened the interests tied to increasing the per capita gross income in both the state farms and producer cooperatives. It will be expeditious to let this trend prevail also in the future.

The regulatory system should recognize the differentiation of enterprise and personal incomes more than it now does and should clear the path for even greater differentiation in harmony with the performances. In agriculture, tying the income level of the workers and the growth opportunities of the enterprises to the economic results can exert a great pulling force to improve efficiency.

While keeping the necessary state regulations, agriculture must be exposed more to the market's effects. Among the further development directions of the relationships between the economic operating organizations, the most important one is that the processing enterprises should have greater independence and more tools to influence agricultural production. They should have a greater role in selecting the production structure and the technologies which affect the product's quality and in determining the prices to conform to the sales opportunities.

At the present time the interest conditions in the large agricultural operations favor the nonagricultural activities. The shift in industrial-agricultural price ratios--which in the political sense of the concept cannot be called agricultural scissors--threatens with the danger of the

development resources becoming choked down in those major agricultural operations located in areas with favorable natural conditions and typically engaged in agricultural production in which the ratio of supplementary activity is low. But in those where the conditions for supplementary activity are favorable, the development resources are not regrouped to increase the basic activity, or are regrouped to only a smaller extent than before. Efforts must be made to make the incentives more proportional and to improve the profitability of the basic activity.

It is expeditious to develop further the management system of the food industry in a direction of increasing the legal and economic independence of the enterprises, their risktaking and innovative abilities and their quick adjustment to the market conditions.²⁰ The long-range plan calculations have confirmed that steady encouragement of the small-scale agricultural production continues to be indispensable. We must organize their production tool supply and the selling of their products, and we must seek new ways to organically interconnect large-scale and small-scale production.

This article was unable to translate faithfully every detail of what the partial materials prepared during the course of the last two years and the broad-based debates which took place in connection with them have to say; it tried to emphasize the most important questions which can be generalized. The job cannot be considered completed: the path for the long-range development of agriculture and the food industry can be shaped within the framework of the national economy's long-range planning, perhaps in connection with several alternatives of developing the economy.

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ARTICLE EXAMINES ROLE OF SMALL AGRICULTURAL PRODUCERS

Budapest MAGYAR HIRLAP in Hungarian 25 Jun 83, Supplement, pp 7-15

[Collection of articles compiled by Peter Vincze: "One Theme on Several Pages-- One Theme From Several Sides"]

[Text] The meaning of a word has changed. Small production can be interpreted less and less as hand labor on the beans, as having to do with a small amount of produce. The gradual elimination of unjustified expenses, the increase in producing enthusiasm, the integration of the small farms into the supply, service and purchasing activity of the big farms have brought an example growth in 15 years, as compared to other economic sectors. On something less than 20 percent of the land area the small farms are producing more than 30 percent of all the production value of agriculture. Most of this is done in fractional time, for 27 percent of the 1.5 million families with gardens, household plots and hobby plots are pensioners and the rest--disregarding the 25,000 farming individually--turn their spare time to gardening and raising animals. This "fraction" is worth many billions. In the course of our report we questioned primarily the "small producers with large production." Their experiences and observations--because of the larger volume produced--sum up in a striking way the present situation, problems and urgent tasks of the household plot and auxiliary farms. But the striking development thus far--as those affected and the agricultural experts say--can be sustained only if the production conditions improve further, if a harmonic price and interest system develop. And where this is not yet so all those who voluntarily undertake a large share in producing the national income will share in the way their role and work are treated.

To Preserve, To Begin Again

"Oh, they have written about us already...! And then they raised our taxes,... by a good 20,000 forints."

I would have put down my pencil. But I accepted the risk of this sort of consequence to press publicity when it turned out that the case mentioned happened a good number of years ago. That was a time when only the chief experts of agriculture and domestic trade were enthusiastic about household plot production; in the majority of the communities they are still playing the worn out record.

In any case, in the 60 years of his life old Gabor Cserto has heard all sorts of things. And what is worse they tried with more than words to frighten him from his fruit and animals and farming--using the bugbears of the moment.

"I myself was forced to work at an enterprise until 1970. At night. So I would have the day free. I planted grapes and fruit. This was 10 years ago. Now this little farm is up to what it was in its time, in 1950.... But then even I wanted to join the group. Only there was an official, the chairman then, who said, 'We won't see even your grandson here....' If the peasant blood wasn't in my veins we would never have gotten on our feet."

Today Gabor Cserto is chairman of the household plot committee of the Alföld Cooperative in Kecskemet, the winner of prizes for animal breeding and cultivation. Last year he paid a progressive tax for the delivery of goods worth 252,000 forints. He is not complaining. He only notes that the tax keys have not changed for 10 years, while production costs have doubled and are increasing a good bit faster than the purchasing prices. He feels that the farm cannot bear a greater burden.

He keeps 600-700 forints for export porkers and 300 forints for the first class ones which can be sold domestically. But out of this he has to cover the mortality too. And he is investing in steer raising. They are shipping 14 month steers to Lebanon now, at an average weight of 702 kilos. The calves are selected from three fairs. And a good number of the young pigs come here from the free market too.

"I keep the good ones for sows.... There were never out-placed animals here. Just think, if a single transport--25 or 30 young pigs--is lost or develops poorly, there goes a whole year's work...."

"And how about your other job? How do you find working on the household plot committee?"

"Things are looking up.... More and more of the young people are undertaking this or that. If there is trouble they come for advice; I help them with the machines and horses. The farms of those born here will make out. Those in trouble are the ones who think they can feather their nest in 2 or 3 years, buy a place and rent the land. They understand neither cattle nor land. Few of them last even 2 years...."

"Where would they learn what they need to know?"

"There are a few lectures. Very few. There hasn't been a winter study course for 30 years.... There really should be. To learn the new things, to orient people in financial matters and the regulations.... Then there would be less debate. And swindles. There are very many complaints at each purchase. Take my strawberries, for example.... They paid 18 forints for them. I looked in the shop; they were selling them for 32. So who is taking the money from the city workers?! So do we need somebody to tell us what to produce? The poultry and the apples went bad last year.... I paid 3 forints per kilo just to get the golden apples harvested. It was hard to sell them for 20. I cut down

three acres last fall, my wife left home for days so as not to see it. Then somebody gave me a newspaper--in France the government gave a 10 year premium if you would plant saplings.... Ten years! We would plant them too then...."

"If you were to start now, how would you begin?"

"At 20 years old? I would do everything differently. This place would be ultra-modern. But... when I grab a handful of this quicksand I know what my father and grandfather knew.... A 60 year old head should be entitled to 20 year old legs!"

It is Dunafoldvar, a sun baked afternoon. An old street, the warm yellow walls of houses loom behind the cherry trees heavy with fruit. The old man slowly opens the gate.

"No, we did not come from the meat combine.... But for the same thing."

"Our household plot, as the megye animal traders say, is one of the most reliable hog fatteners.

"I don't know for how long.... A man can't do much in his seventies...."

"Do you feel that you have done much?"

"Two herds a year.... Feed them, bed them, grind for them.... It is true that they bring the larger part of the fodder, and the feed supplements too. But there is trouble with that too. Sometimes pure dust and sometimes who knows what is in it. God himself wouldn't eat it...."

"Do you have help?"

"Sometimes. The children have their own problems. They have learned a trade. They are working...."

"They are?"

He laughs at himself.

"The devil knows who we are....? What do you call our work..." I am a cooperative pensioner. But I haven't stopped since my father first put a pitchfork in my hand in 1920."

The passage before the sty filled. The mother sow ambles out into the sunshine with the self confidence of three quintals.

"That one is old already too. It is difficult for her to bear. I am not likely to replace here. Maybe just the two porkers the family needs...."

"How many years have you been saying that?"

"Just last year, and the year before, and the year before that," his wife interjects. "He will not rest as long as he can carry an 80 kilo sack on his shoulders...."

There is a wire net bin in the corner of the courtyard. It is still half full of last year's corn. It has not yet lost its golden yellow.

Purchasing Price for Swine, in forints per kilogram

Between 95 and 125 kg	34.00
Over 125 kg	31.50
Over 130 kg	28.50
Over 170 kg	29.50

"A premium of 1 forint per kilogram above the base must be paid by the large agricultural operation and the AFESZ [General Consumer and Marketing Cooperative] for swine produced privately and delivered in a quality corresponding to the contract. A multi-year contract premium must be paid to those small producers who sign contracts for fattened swine with a purchasing organization for at least 3 years. The amount of the premium is 1.50 forints per kilogram on fulfillment of the first year, 2 forints per kilogram on fulfillment of the second year and 2.50 forints per kilogram on the basis of the third year and in years thereafter."

Wholesale price of several fodders and feeds

<u>Type</u>	<u>Forints per quintal</u>
Fodder barley, wheat, rye	351
Ground corn	376
Semi-intensive poultry starter feed	767
Semi-intensive poultry raising feed	693
Intensive pig feed	743
Starter pig feed	1,048
Calf starter feed with milk powder	896
Fattening cattle feed with Urevitid	482
Intensive broiler starter feed	1,537
Intensive broiler raising feed	1,488

Added to this is a 44 forint retail trade profit margin and, if it is in sacks, the sack cost. To granulated feed (rabbit feed, for example) is added a granulation fee. The producer cooperatives are not fodder merchants, thus their prices and conditions can deviate from those of the state fodder merchants.

Taking into consideration average conditions and the most extensive methods, one will use 2-3 kilograms of fodder supplement to add one kilogram of weight to

broilers, 3-4 kilograms of fodder, mostly feed, for swine, 5-7 kilograms of fodder grain for beeves, together with supplements and feed. According to the calculations, the fodder cost of an egg is 0.90 to 1.20 forints and the production cost for a liter of milk is 4 to 5.50 forints

Will It Be Easier for Them to Like It?

One sunny morning little Janos Szalai woke up to find his family in an emergency shelter. What did he understand of what had happened around him in the preceding days on the farm? Why had they packed up the quilts and pillows? Where did the winding sand road lead? He saw that tears flooded the eyes of his mother....

But the farm boy was already used to the fact that life was full of tears.... Because.... How were they to produce the 6 hectoliters of milk for the two oxen, the milk which had been thrown away? Was it a punishment because the cattle had defecated in front of the manger? When would the 8 months be up that Baracska had gotten for the shortage in providing eggs? His father, who had become a factory worker, had gone. The train brought him late Saturday evening and took him away again at dawn on Monday. Janos was sure that someday he will return for good and everything would get better. He was not disappointed. He is now 37 years old.

The farm of old Szalai stretches along the sloping road near Lajosmizse. The walls, limed snow white, the flower beds stretching at their base, the courtyard planted in grass, the line of firs and the well topped with a pump standing in the center of it all show that diligent people live there.

"Momma! We just came in with the guests to let them look around. Look...." Janos Szalai gestured at the farm of his parents. Not at the flowers or decorative trees. Sparkling clean pig pens, stalls and farm buildings surround the four corners of the courtyard. They suit it as the white kerchief and smile suit the face of Aunt Szabo.

"That things are in order? We always learned this. We were church going people, but we always went to the village barefoot, then washed out feet in the brook and only then put on our shoes. We didn't enter the house of God barefoot, but we were very careful of our shoes. This was in our blood, and is still.... And I walk with a stick to support me now. Until things got better, we were very poor...."

Did Janos Szalai inherit the love of order and industriousness of his parents? Of course! Although, not far from here, order does not reign around his house now. Stone masons, plasterers, brick layers are working. His wagon, mercifully loaded with fodder, can hardly fit in. The farmer himself jumps on top and grabs hold of the reins. He loaded it. "Others don't know how." Time is pressing. They are forking the winter fodder already.

"How did you begin, Janos?" I asked, sitting by the table in the center of the ample kitchen, a table which would soon begin to collapse. There was wine with the bacon and sausage.

"How did I begin? I will tell you, presently, but first let's drink. Our own!"

"You have grapes too?"

"Not at all! I buy the grapes, and then make the wine."

"And not badly!"

"You think so? I began in 1969. That's when I got married. On nothing. I have already told you how my father's place was going. We collected 4,000 forint at the wedding dance. So I started with that. And with will, and the strength of the two of us...."

"I would guess the house is worth one million. And the equipment, and the cattle...."

"There is no denying it, we have gotten on! I need not say at what price. Even today I get up at three in the morning every day, and go to bed at eleven. I rent bits of land from the producer cooperative which they cannot cultivate economically. Little bits of land, scattered about. I work them and reap them with horses. We are doing well on all of them."

"If someone were to ask what your occupation was, what would you say?"

"That I am a peasant. That was my father's answer, and my grandfather's."

"But you are working differently than they."

"No, I am doing the same thing, only somethings are easier now."

"For example?"

"I milk with an Alfa-Laval machine. Sometimes. At Easter time, for example, there was a power failure and we milked by hand, more than 100 liters. You can bet we were tired. There are some things we aren't used to any more."

The 17 Dappled Hungarian cows and the three heifers are out on the summer meadow, maybe 5 kilometers from the Lajosmizse house. The pigs are there too. The barn is an old storage shed and the pig pen is tacked together from straw and sticks, but they serve the purpose. This is a good example. Animals can be kept successfully not only in barns costing hundreds of thousands. Sheep dogs, growling at our alien smell, guard the farm. The cattle are guarded by an electric cowboy.

"Do you rent pasture?"

"Of course. Not the best, but I improve it as much as I can. I do the same with rented plow land. I use a lot of organic fertilizer. There's plenty, I don't have to buy that."

"But you do need fodder...."

"Yes. Sometimes I even go into Trans-Danubia for it. You have to learn these things, like everything else. I go where it is cheaper. Because they really ask a price for it in the shops. The milk money couldn't cover it. And every year I buy six wagons of beets."

"Do you keep account of receipts and expenditures?"

"Frankly, I must say I do not. With this we are like our ancestors. Peasants never did like paper and pencil. That is not our bread. What would I keep book on? How much my wages are? Or my wife's? What it is worth that today I haul something for you and at another time you mow for me? That wouldn't work. Of we were to buy everything and get machine work for a fee, we would go hungry."

"You have a tractor?"

"Now I have got my house in order. When things are ready, maybe that will be next. It would help. My horse works a lot, hauls a lot. I work him with a horse of one of my neighbors. And I have to 'pay' him this loan too...."

"Let us return to the beginning."

"It wasn't easy. I began with egg laying hens but sickness carried them off. I paid more than 100,000 for them. I began again. I had maybe 25,000 forints left.... Cramming geese, buying calves--it was a struggle. But I am not complaining, it paid off. That's how it had to be."

"You have no small livestock now."

"Just what we need. But every year I sell 100 hogs, and there are the cattle, and the land. This is enough."

"Could you spread out, grow?"

"No. Develop, get some small machinery, yes."

"You have seen how one time they liquidated the farms...."

"I don't know how my mother's people survived.... But if you are thinking that I am expecting something like that then I say definitely, no! Of course, we are used to talking about it, farmers among themselves.... But not even the older ones expect it. Those who remain. The city has taken most of my father's friends. And they didn't have the strength to begin again. We are respected cooperative members and we are working. We are working like the peasants always did in this country."

"What will become of your three boys?"

"Two of my brothers studied trades. I, the middle one, didn't 'learn' from my parents' troubles. Of my own it is again the middle one, little Peter, that I

see playing with the horses most. I wouldn't mind it if he wanted to do what his father did.

"Maybe it will be easier for him to like it. He will not need as much stubbornness as his father. And the main thing, he sees the example of a more amiable fate."

Official prices fixed for cow's milk, forints per liter in quality grades

	<u>I and II from the viewpoint of physical purity</u>	
In the winter season		
1 December to 30 April	6.70	6.50
In the summer season		
1 May to 30 November	6.10	5.90

Cow's milk purchased within the framework of sale and purchase can be lower than the price defined above by at most 10 percent.

The producers price applies to milk with a 3.6 percent fat content meeting the prescriptions of standard MSZ 3698. One must pay 100 forints per kilogram of fat for milk with a fat content above 3.6 percent. The price of milk with a fat content lower than 3.6 percent is lower by 100 forints per kilogram of fat in measure with the deviation (fat deficiency).

Lacking precise statistics, the share of the household plots and small producers in the foreign trade export of the country can be established only with an approximate estimate. With the intermediation of various purchasing organizations we can calculate a considerable part of the goods produced by small producers as the final product of the cooperative and state sector. But if we know that in 1981 small producers accounted for 24.4 percent of the slaughter cattle, 55.1 percent of the hogs, 36.4 percent of the poultry and 50.7 percent of the fruit and if we compare this to the data for the more important export commodity groups--ignoring the preserving and canning industry, where small producer purchasing is very considerable--then we come to the conclusion that at least 4 percent of all export of the country, that is almost 13 billion forints, comes from the small producers.

This is more than three times the value of the export of the alumina and aluminum industry, almost

twice the value of the rolled steel export, and approaches the value of autobus export, which leads the export commodity list--certainly exceeding it if we also count the processed products.

Two megyes farther away, in Madocsa across the Danube, Janos Baksa certainly never saw any sort of example. He only inherited the desire to be master in his own house. And perhaps he inherited the ability to be a jack of all trades.

"I can be happy with anything. Half a brick or a rusty piece of iron. Something can be made of it."

It seems so, the corner of the courtyard is like a display of the Trash and Garbage Collection Trust. But the MTZ 50, the mowing machine and the trailer came from the scrap iron too. The stalls raised with a hay loft and fitted to the house are largely from salvaged material. Any agricultural designer might take a look at the farm buildings made "after my head". Cheap, easy to keep up. And it is time for someone finally to deal with this question: What sort of barns and pig pens suit a small farm?

"I was a stone worker by trade, so it was easy.... Or rather, it wasn't easy at all! I wasn't earning much. I went out to work in animal husbandry for the producer cooperative. I was already looking around to see what I could learn, what I would do differently on my own. So far I have sold 37 fattened steers, all export quality. The best--he was beautiful--went at 840 kilos. And at the fair I saw a skinny calf, I paid no more than 5,000-6,000 forints for him. What you have to see in animals is which are of a bad breed and which are weakened by bad treatment. There are lots of them. Well, I improve them."

The house isn't finished yet. He began to build it in 1976, with 20,000 forints saved and a 20,000 forint loan. A person might think that he could have finished it easily with his professional expertise and the income from the animals.

"You think so? Good, now figure how much time the sow and the beef and the fodder and the hauling take.... I just sold four steers and got 70,000 forints. Taking out the costs that is a profit of 20,000 forints."

"Are you calculating your own work?"

"Nobody counts that. Only what has to be paid out in money. This way my wife and I together earn 10,000 forints per month. Half of that goes for fodder and five of us live on what's left. Believe it or not, I don't have one penny in the bank, I only owe for the house. I think when I am 35 years old if I have 200,000 forints circulating money then we will get some furniture and such things."

"We visited Bandi. Now "he" is the favorite. Janos Baksa goes first, toward the barn. At his steps the calf sticks his head out the window.

At his steps the calf, the most beautiful of the steers, sticks his head out of the window. Then, seeing a stranger, he quickly pulls it back.

"He will not take even water gladly from another. If I leave the feeding to a neighbor for a few days his development will stop for a month. That is why there are so many stunted calves!"

As we were watching eight mother sows and 20 porkers "turned up."

"The piglets are guests from the Paks State Farm. Being fattened for a fee. Ten of the steers are here the same way. It looks like this is good for everyone. When they are handed over they weigh them and calculate how much I have put on them. They pay that. Then there is a 2 forint large operation premium per kilo--according to the deal half goes to me. If one feeds them right there is no trouble. If one does not he pays for it, and a great deal."

There are also a good number of poultry. And as an afterthought, 50 rabbits.

"What kind of animals don't you have?"

"Parrots...."

"That's lucky, because you would be producing the bird seed too...."

"Could be. Look, when I started they laughed. If there was 10 meters of ditch bank with good grass, I mowed it. That is one day's green stuff. Now I have taken over 2 kilometers of road bank from the highway people. I am not ashamed. In one year I fed about a thousand sheaves of corn stalks. Others are letting it go, plowing it under. This is the only way to do it. I have three children. I would like them to start as I did someday."

"How?"

"I think I will get them each a plot with a bad house, from which they can make something."

Purchasing price for young steers

<u>(Over 450 kg)</u>	<u>Forints per kg</u>
Extreme	40.50
I. class	38.50
II. class	35.50
III. class	32.50

(Hungaro Frisian breed, pure breed, with exception of Holstein Frisian).

"I would not fill their purses. I would give them only what their humanity needs. I want to keep them here in the village...."

Janos Baksa's father is a driver in the cooperative. Previously he was a small tenant farmer, day laborer and share cropper.

"No house, nothing...." He is 56 years old.

"If I came back after a year what would I see here?"

"A concrete floored barn, for 10 steers, automatic feeding and watering, a manure remover. Then the animals could be taken care of in an hour and a half instead of three. This will require a little money, and I will put it together myself...."

"And what about the furniture?"

"That's farther off.... When I'm ready to sit down...."

The dead pig is lying inside in the mud.... Around it the others are wading in the mud up to their bellies. Neither the sight nor the stench surrounding the farm detains the guest. Obviously not the farmer either-- in "civilian" life he is a stone cutter--for on the basis of directions from neighbors I find him at home in Kecskemet.

"How many pigs do you keep?"

"We are just starting. Maybe sixty.... But next year or even this year there will be 150. This is the family plan."

The room virtually darkens with the appearance of a powerful young man. Two meters tall, broad shoulders, he comes immediately to the point.

"Is something wrong?"

"Oh, nothing...."

"We can stand the work. You can believe that."

"And what are you counting on? In the material sense."

"If we get 500 or 600 forints per pig we will be satisfied."

"Of course this will be difficult if the animals die."

"Where?"

"On your farm. I just came from there, and I saw that...."

"That's not true! the boy said.

"Pardon me.... I have a photograph of it."

"I'm going straight out!"

It is perhaps superfluous to mention that the attitude of the good farmer is not being realized on this "farm." At least not yet. They will need a little expertise and love of animals first, and only then can the farmer start reckoning up his accounts.

Entrepreneurs and Risk Takers

"Are you the master here?"

"I am the slave."

"Because we are looking for a breeder 'at the top'."

"I am at the top, in paying taxes."

"Are you joking or are you complaining?"

"I think they are joking with me.... For example when I kept roasting geese 98 days instead of 60. This cost 50 filler per day per goose. For 3,000 geese. Or when the 700 sacks of feed came. And they asked 10 forints for the plastic sack.... Would you like to buy some plastic sacks?"

Well, this was not the sort of material we were collecting. What we needed was some delicate questioning. The words of Boldizsar Bujdosó, oil well worker and geese breeder, revealed a good number of contradictions in small (?) production of the entrepreneurial type. In the first place, he feels that the risk one is forced to take is getting greater and greater. And there are fewer and fewer reserves in the event that--as happened recently--370 of 1,000 geese die. He says there was a hatching error. The records and the sample are at the Veterinary Affairs Institute. Maybe he will come to terms with Barneval, maybe there will be a trial, but the loss--for a good time--has made him "deficient in circulating funds."

"I had another adventure to.... When I was dealing with chickens I swear I gave away two hatchings absolutely free, with double feed, at half weight."

"Blow after blow?"

"I wouldn't say that.... But write that anyway. There is much envy. Everyone thinks I am rolling in money, that I keep it under my hat. And what hurts especially is that people are inclined to believe this who must know what is

involved.... Sometimes I feel directly that they are happy to seek a fault. In the past they found seven lame geese in a truck shipment. If I hadn't stuck to my guns they would have left the shipment here. Oh, enough of this gagging. Because believe me, it leads to nothing good. Anyway, I am in a bad place. This site is very much in view, here along the road. You understand what I am thinking of?"

Sandor Kollar's family has been gardening under plastic foil for 7 years a few kilometers farther in, in the shelter of some little hills. He now has 3,000 square meters. Just covering the three large houses costs 25,000-28,000 forints per year. Oil firing the boiler comes to 300 hectoliters in a season.

He is a member of a producer cooperative. They give him 150 days credit for this area and for the contract early vegetables.

"In the beginning there were peppers and tomatoes here. That wasn't right. They don't like this soil; I composted and used organic fertilizer in vain. We switched to cucumbers. That worked. Then. Just look....!"

Well, yes. There were very many whitened, stunted cucumbers the size of a little finger on the trained vines.

"This is a new type of imported seed.... So whom do I complain to? How did I know the seed was bad, or that we neglected some special treatment...." Something they didn't tell us. It may be that this type is good in Holland or West Germany, but not here. We have nothing to cover experimentation. It looks like we are working for nothing this years...."

It is the holy truth that even a large farm has difficulty bearing the risk of monoculture. It might be worth considering reducing the risk with some sort of new insurance--naturally something mutually advantageous.

Young people are collecting the cucumbers in the clammy, tropical humidity.

"The children.... One of them is about to get married. I will give them a plastic foil greenhouse. That will be the wedding present. They will learn--to their own harm, to their own profit.... Like us, like everybody."

(Vincze and Vodros)

With The Eyes of the Organizer

The Alfold Cooperative in Kecskemet produced 860 million forints last year. The small animal breeders, who work in two groups, produced 360 million forints of this. This shows very well that this cooperative too is "living" off the small production.... In addition, as chairman Zoltan Domokos says, the cooperative stands on many legs when it can. It has a bronze foundry and gasoline station, they process fruit and make brandy. In the fruit processing plant they make a Roman plum stuffed with nuts which may have been the first food-stuffs export of our country. According to written records great wagons carried the dried fruit to Italy, mainly from Transylvania.

The cooperative chairman, with a candidates degree, has guided the work for more than a decade. Not only direct management. He goes farther afield too. Often in defense of "member interests." Not long ago--the story, already resembling an anecdote, goes--there was one taxation system in the Kiskoros region and another in Kecskemet. Then things were adjusted. Naturally, not by themselves....

[Question] The farm makes a profit. Still, are there any problems?

[Answer] Management without problems is a lie, such a thing does not exist. Look, we have no way of developing the infrastructure. We have to wait, and at the right moment invest what money we have so as to make a profit quickly. Then, when there isn't we have to talk people out of it. Take the grapes, for example! We did not recommend the planting because wine is not an article. We have 10,000 hectoliters. It can't be sold.

[Question] People here have been acquainted with rabbits and geese for about 15 years. This pays better than wine.

[Answer] No doubt geese are good business. But unfortunately our contacts with the buyers are not always free of trouble. The processing plant in Kecskemet is the biggest partner of our cooperative; but the principle of crying together and laughing together is not being realized.... Or rather, never mind the crying! We are left out of the laughing. It is no secret; the processing plant tried to go off on its own and take over the geese raising too. It didn't work. Because this is an entirely different profession, and it was a shame for them to get involved with it, because we are here. We would like a close contact which would be more favorable for both sides.

[Question] Do you get information about the market?

[Answer] Never!

[Question] Is there another possibility?

[Answer] None. We cannot carry the goods farther away, for the transportation costs would reduce the profit. No! These things do not depend on economic factors, they depend on human factors. And I believe--I hope I do not appear to be a pessimist--that the taxation system depends on this too. It is difficult to believe that taxation is simply to withdraw income. It should have an incentive effect! That is, the system should be refined. In regard to receipts now no distinction is made whether they come from apples which cannot be sold or from goose liver which can be sold well.

The goose processor, simply because his situation makes it possible, changed the quality conditions for accepting goose livers from one day to the next. At that time about seventy gave up this work. Of course the economicalness of production requires that changes be introduced from time to time. There is not only production but also economicalness and profit. And there are people. People who live from raising geese, cramming geese.... Should these people be presented with a fait accompli from one day to the next? Certainly not! These interventions do not just pass away, according to the chairman. The mistakes

made on the market--although I have no precise information about this--cannot be put on the neck of the small breeders.

[Question] Do you have a household plot?

[Answer] None. Or I might say I have many. We stretch over seven megyes. We have an awful lot of partners. We do not always get praise for this. Frequently we have been deprived of the title of outstanding cooperative because we were not developing the common farm but rather the household plots. As is customary in a specialized cooperative.... Otherwise we could hardly produce 15,000 porkers and 2 million chickens per year.... And primarily, in the absence of the entrepreneurs they could have hardly formed this vertical integration, the machine, transport and fodder producing capacity serving to supply the members.

We might say here that the cooperative cries or laughs together with the small producers. In their close cooperation they depend on outsiders, if they are to laugh more often....

--Attila Vodros

<u>Protective prices for poultry and eggs</u>	<u>Forints per kilogram</u>
Chicken (summer season, 1 Jun to 30 Oct)	28.50
Chicken (winter season, 1 Nov to 31 May)	30.00
Fattened geese	37.00
Roasting duck	26.00
Turkey	29.00
Edible hen eggs (at least 50 grams)	1.40

Produce purchased from small producers

Vegetables (1,000 tons)--1976, 152,158; 1982, 458,996
Fruit (1,000 tons)--1975, 255,480; 1982, 311,628
Milk (1,000 hectoliters)--1976, 4,112; 1982, 3,824
Honey (tons)--1976, 7,854; 1982, 17,357
Cattle (each)--1976, 111,385; 1982, 128,230
Hogs (1,000)--1976, 1,758; 1982, 4,079
Poultry (tons)--1976, 19,085; 1982, 86,564

Sales to small producers in 1982 (in millions of forints)

Produce, 12,939
Industrial articles and materials, 1,959
Animals, 1,749
Services, 2,196
Total, 18,843

Value of products purchased from small producers (in millions of forints)

1976, 13,404

1982, 38,679

(All data pertain only to the activity of the large agricultural operations and the AFESZ [General Consumer and Marketing Cooperatives] in organizing small production.)

A Foreign Trade Official Answers

More than half of Hungarian poultry is exported, an ever larger part of it from stock raised by small producers. The road between the small producer and the world market is rather long and very bumpy. Can this road be traveled without problems? How can foreign trade exercise an effect on small production? I asked these questions of Gyorgy Makkai, a deputy main department chief in Terimpex.

[Answer] If you remember that supply and demand vary greatly from year to year on the world market and ask whether the Hungarian small producer is reacting to this then my answer is simply no. And they cannot react. Our goal is to protect agriculture to the limits of our possibilities from world market price changes and thus create production security.

[Question] To what extent can we regard it as production security, what happened to many last year--despite valid contracts the geese fattened at considerable expense were left on their neck.

[Answer] It cannot be denied that this happened. At the end of the year the slaughter houses had 7,000 tons of geese in cold storage, not because they could not sell the quantity contracted for in advance but rather because during the year many saw the "possibilities" in geese and people began to fatten them who did not have contracts. A value of such size was embodied in this commodity that we had to buy it up in order to save it.

[Question] Why were those who had contracts not given preference?

[Answer] The rules of the game are extraordinary in an extraordinary situation. Or they are peculiar. Loudness, the wave of peddlers, comes to the fore at such a time. It is not certain that the honest person comes out on top. In any case, as far as I know, the slaughter houses finally bought up every goose; and this led to immense extra storage costs for some of them. Who pays the bill in the end? These are difficult cases. In any case foreign trade does not have to answer this question.

[Question] But it does have to answer the question of what is being done this year to prevent a repetition of last year's circus.

[Answer] The director's council of the Association of Poultry Processing Enterprises decided at the beginning of this year that it would buy from anybody only on the basis of a contract. And this was made public on a broad scale immediately. This is the answer to your question. We can transmit the needs of the world market to the producers via a strong contract system.

[Question] This is the need felt by Terimpex. What guarantee is there that this is identical with the real needs? It may be that another merchant could sell more, at a better price.

[Answer] In the first place Terimpex has an interest in greater trade. In the second place we do have competition in the director's council, so does Hungarocoop. And Babolna--which has export rights--is increasingly active recently. In a word, the producers can get market information via several independent channels, and they can decide themselves through whom to export.

[Question] The number of these channels should increase, the market situation is ever more difficult....

[Answer] Our chances with poultry are improving now. Last year the over supply and price drop caused great alarm. For example, the private producers in the FRG voluntarily set quotas 10 percent lower than last year. He who exceeds the production possibility set for him pays a penalty of one mark per chicken. Recently, Denmark also joined this agreement. I hardly believe that such a drastic limit could have been introduced here. But now their self-limitation is fortunate for us in that we do not have to limit production. We have customers for the quantity contracted for and we hope that we will be able to sell the quantity above the contract at an acceptable price.

[Question] You said above that the slaughter houses would not accept from the producers goods above the contract under any conditions.

[Answer] When the agreement was made we still judged our market chances to be bad. Since then, the situation has improved. And the country does not need consistent purchasing behavior, it needs export income.

--Gador

At the end of last year the KISTENYESZTOK LAPJA [Small Breeders' Journal] sent out questionnaires. In its May issue the journal published an ample review from the answers of household plot farmers. The opinions and complaints referred to the responsibility of a number of enterprises and cooperatives. More precisely, it was urged, even without saying so, that they more conscientiously perform what the small producers with justice expect.

"We spent the most time looking for lamb customers, without result." (Imre Makadi, Szabadszallas.) "We had a problem with 2,000 chickens and 500 geese. They

did not take the chickens for a long time and the geese are still here." (Lajos Gorennyi, Nagyszenas.) "Without notice they decreased to 75 forints the pigeon price of 107 forints. Who would raise them for this?" (Laszlo Fazekas, Majoshaza.) "I am a pensioner, my meadow is 8.8 kilometers away. The terribly increased bus fare is not in proportion to the profit from raising animals." (Mrs Albert Siklodi, Szeged.)

"The biggest problem for Jozsef Kun, a resident of Paks, is feeding, because the local producer cooperative is not interested. He knows a farm 20-30 kilometers away which helps small breeders."

Bela Csufor (Noszvaj) puts his opinion this way. "I can get feed and grain by passenger car from 30-40 kilometers away. It is a wonder to me under such supply conditions why people without a car don't go crazy."

The opinion of Janos Berecz (Lovasbereny): "Since there is little import protein, the only thing you can regard as feed is the fodder mix, whatever the price." According to Laszlo Boros (Doboz): "The feeds are deficient in animal protein, vitamins and trace elements. They are cheating on it."

"Surprisingly the decline is not connected with raising pigeons or with export problems. The problem was with processing. The poultry processing enterprises and others do not really want to undertake the slaughter and processing of pigeons. The reason: The processing of pigeons has not been mechanized. So it requires a lot of live work and the enterprises in general are struggling with manpower problems. But the most complaints were voiced because of the high purchasing prices. According to them these are not in harmony with the decreasing export prices. Their losses came to 15-20 forints per kilogram." Istvan Kulcsar, Szoke.

"Nor do we understand how they could have passed a decree according to which one cannot build other out-buildings, except for keeping small animals, when building new houses. I ask you, where can one keep animals? Not in a city apartment house! Not in the towns either? Our town has not yet received the rank of a big town but they want to drive the animals out of it." Mrs Ferenc Polz, Rajka.

"No measure has been taken to balance out the prices for feed and produce which were raised on 1 January 1983. Instead, the signs are that we can count on a reduction

in some purchasing prices. If we want to maintain the present level of production significant measures are needed in regard to the purchasing and prices of goods produced. We are afraid that we will have to organize the special group again in a few years. It would be good to prevent this." Gabor Zango Beretyoujfalu and environs AFESZ.

A Main Department Chief in the Ministry Answers

Gyula Boruzs, a main department chief in the Ministry of Agriculture and Food, outlined the status, value and most important problems of small production in the answers given to our questions.

[Question] Despite the unambiguous economic policy positions taken, it appears that one can still experience certain reservations and antipathy toward the small producers in general thinking and in not a few institutions.

[Answer] Less and less. The facts have refuted the traditional arguments--which were not true in the first place. Small production is not a peasant category. One-third of the 1.5 million families dealing with household plots and gardens are not agricultural workers, they only live in villages or suburbs. One can no longer oppose the farmer on his household plot to the purchaser from the market because under present production conditions both are purchasers of some products. The antipathy today is expressed primarily in carping. Unjustified reports and complaints by some people to the KOJAL [Public Health and Epidemiology Station] and the councils cause much unpleasantness for people raising animals. Most recently, in Abony, I saw that a single resident can start an avalanche which could bury the household plot animal raising of half a town.

[Question] Many complain about the tax decrees in effect. They feel that the taxation is excessive and is holding back production enthusiasm....

[Answer] In our opinion this is not true. And what is more important this is the most easily reviewed tax system thus far. But we should make some distinction here between large entrepreneurs and the real small producers. Even with progressive taxation the household plot farm gets compensation with various concessions and contract premium prices. But in my opinion the large entrepreneurs should be taxed in a form approaching that for artisans--most of them employ permanent workers and use subsidized energy and materials without bearing the common burdens. Because it causes real confusion in judging a broad stratum if somebody turning over 4 million per year with a three level site for 900 hogs pays the same taxes as a small producer contracting for 20-30 porkers. This is a concrete example. On the other hand it is true also that there have been and are abuses in taxation in a few areas. We have had experiences where within a single megye they are using one standard in one community and another in another. But there has been considerable improvement in this area recently.

In general, we should regard it as a small farm where somebody and his family share the work and prosper. Naturally this does not apply to peak seasons. Few

know that the working family members must be taken into consideration in taxation. This can increase the preferential tax base by 30,000 forints per person.

[Question] Those keeping animals complain that their activities are limited by construction regulations they cannot understand.

[Answer] We have said many times and we repeat again that the construction regulations are framework regulations. The application of them must be decided according to the unique conditions of the given settlement. I consider it stupid to define the number of animals. But the appropriate maintenance and hygiene conditions must be followed. As for the farm buildings, the regulation of building permits is already practically in the province of the towns and soon it will be so pro forma also.

[Question] Some say with justice that it is not possible to get enough small machines or appropriate small machines....

[Answer] Small machines?! Even the supply of hand tools is scandalous. For decades we have not been able to get the manufacturers to believe, and can hardly get the merchants to believe, that one type of hoe is good for bound soil and another type is good for sand or that a spade that bends is not really an outstanding spade.... And there has been a resolution for a decade concerning small machine manufacture also. It was to be the job of MEZOGEP in Veszprem. But by the time a design is worked out and put into production years have gone by, the tension increases. There is practically no possibility for socialist import--and we hardly have money for western import. In any case, one must ask unrealistically high prices for small machines and equipment purchased from the capitalist market. It is characteristic of the situation that one of the greatest successes of the most recent OMEK [National Agricultural and Food Industry Exhibition] was the exhibit of the artisans and jack of all trades hobbyists. But this situation is insupportable....

[Question] Where else do you find lack of progress?

[Answer] In the integrative activity of the large operations. It is good that they supply the household plots with fodder and transportation. But no one can be satisfied with the level of services. Machines, service and material--all should be available on the spot. It is not right to make people travel a hundred kilometers for a few kilos of chemicals. We should organize many more machine using or loaning special groups. We should spread the small undertaking forms--make available the machines, shops and tools discarded by the cooperatives. And primarily, we must better harmonize the interests of the small producer and the integrator. The present legal and economic regulations need to be revised. But what is most important, we must maintain and strengthen the production spirit of the small farmers. With great attention to supports, prices and taxes. Because if there is trouble here then there is big trouble.

Tax Keys for Small Producers (according to the value of all goods released)

150,000-200,000 forints, 1 percent
200,000-250,000 forints, 2 percent

250,000-300,000 forints, 3 percent
300,000-350,000 forints, 6 percent
above 350,000 forints, 10 percent

Exceptions: Keeping cattle, which enjoys complete tax exemption; breeding hogs, where the tax base is reduced by 1,500 forints for every animal sold; and grape and fruit plantation, which is tax free until in full production.

8984

CSO: 2500/332

ECONOMIST VIEWS MONOPOLIES, PROGRESS OF ANTITRUST DRAFT LAW

Warsaw ZYCIE WARSZAWY in Polish 13 Jul 83 p 3

[Interview with Prof Jan Mujzel, of the Polish Academy of Sciences' Institute of Economic Sciences, member of the Economic Reform Commission's team for the anti-monopoly law, by Jacek Mojowski]

[Text] [Question] The draft anti-monopoly law was to have been ready by the end of February but, although the deadline passed long ago, nothing has been heard of it.

[Answer] Our team decided to prepare the general outlines of the anti-monopoly policy for the government first and then deal with the wording of the law itself. The former document was completed long ago, and the latter should be ready soon.

[Question] What is the reason for the delay?

[Answer] Drafting the anti-monopoly law proved to be a more formidable task than we had expected. On the one hand, it is going to be a tool for the authorities, giving them considerable powers of intervention in the affairs of enterprises, and, on the other, we must be careful not to limit enterprise independence in the process. Therefore, we have to weigh and discuss almost every word that goes into the draft.

[Question] Have you already decided what constitutes a monopoly in Polish conditions?

[Answer] This would apply to an enterprise that has no competitors in a given market, being the sole supplier of a certain product. The definition would also embrace a manufacturer that does have competitors, but sells more than half the value of combined sales of other suppliers. In such a situation, the enterprise might lose the urge to be innovative, stop caring about costs and push up prices. In brief, it would find itself a cozy place on the market and start getting fat. The point is to melt that fat in time and prevent its excessive accumulation.

[Question] This is quite ambitious, but in the present situation it is not just the manufacturer of cars or washing machines who can be in a monopoly position; even a tiny cooperative factory can be.

[Answer] You have to remember that we are not making laws for today's crazy economy.

[Question] But in this situation the law will be pure fantasy.

[Answer] The draft contains a clause that may be applied for an interim period, in conditions of economic imbalance. This makes it possible to punish enterprises which set unjustifiably high prices exceeding by far those quoted by the competition. I was personally against that regulation because I thought we should introduce on the broadest possible scale prices that would balance demand with supply, except for only a small group of commodities whose prices should be protected for social reasons. The resulting growth in the cost of living could be offset by applying appropriate solutions, similar to those arrived at in other countries, in which these systems had to adapt themselves to inflation.

[Question] What other monopolistic sins are going to be punished in Poland?

[Answer] We have divided monopolistic practices into two categories: those into whose affairs the state anti-monopolies body would be bound to intervene; and those where it would be allowable, but not obligatory, to step in. The former group includes unjustified breaking of long standing supply arrangements or forced package deals. The other group comprises such characteristics as a lack of innovation, a reduced production of consumer goods, or a lack of interest in lowering costs.

[Question] What are the penalties?

[Answer] If the monopolies office detects and proves monopolistic practices, it first orders the enterprise to discontinue them. The enterprise has 2 years to abide by the recommendation, and it has the right to appeal the decision to a court.

If the court turns down the appeal and, after the required period, an inspection reveals that the practices have not stopped the enterprise may be forced to pay to the state budget, say, three times the amount of the loss other economic units suffered as a result of its practices. In some cases, not only the enterprise itself, but also its management, would face penalties. In some instances it will be possible to order the dissolution of monopolistic structures, e.g., to order an association of manufacturers to break a monopoly, or order a multi-factory enterprise to make its component plants independent.

[Question] Does that make sense from an economic point of view? If you break up a car factory into separate plants, you deprive it of the economics of scale.

[Answer] Then the monopolies office may deprive the enterprise of the right to set its own prices, or decide that an intervention does not make sense and is not worth the trouble.

[Question] What remains then?

[Answer] It is still possible to resort to some actions not envisaged by the law, e.g., to threaten to increase imports....

[Question] ...Which is rather impossible today....

[Answer] I would not be so sure of that, primarily because we are still not sufficiently using trade with the socialist countries. After all, we are in the red only in trade with the Soviet Union, while we have a surplus with the remaining countries. This is not at all a negligible surplus. Second, I think that, despite the noose of Western debt around our necks, we can start making the zloty convertible.

[Question] How do you visualize that?

[Answer] There could be two legal exchange rates: the basic one, similar to what there is now, and a free-market one, determined by supply and demand on the part of enterprises that wish to sell, and those that wish to buy, foreign currencies.

[Question] We have had something of the kind already....

[Answer] But how limited in scope! What I propose is a certain foreign currency auction house in which the exchange rate would fluctuate depending on supply and demand.

[Question] What would have to be done to ensure the supply of foreign currencies?

[Answer] It would be possible to oblige the exporters to sell a fixed proportion of their foreign currency revenues to a state bank at the official rate. This would work along the lines of the former compulsory production quotas in agriculture—once you supply your quota, you may do whatever you please with any surplus. This would break the convertible-currency monopoly, remove an essential barrier to growth in exports, and force exporters to be cost-effective as every dollar or mark would be very expensive for them.

[Question] That sounds like a nice theory, but reality is something else: manufacturers conspire and efficiently drain our pockets of money. From the point of view of the anti-monopolies law, many manufacturers' associations should rewrite their statutes, which now envisage "coordinating pricing policies" which is nothing more than a sanctioning of their monopolistic position.

[Answer] We consider that monopolistic conspiracies should be stamped out ruthlessly. If the draft becomes law, all agreements leading to the emergence of such conspiracies will become invalid. Besides, it will be possible to fine the enterprises and persons involved in such conspiracy.

[Question] Is it possible to end up in jail for involvement in a monopolistic conspiracy?

[Answer] No, we do not envisage such a possibility, although it does exist in Western anti-trust legislation.

[Question] Is it possible in Poland to use the Western experience of struggle against monopolies?

[Answer] Only to a limited extent. Our monopolies are simply different, first of all because they operate--for the time being at least--in conditions of economic imbalance or poor equilibrium at best, and second, because they emerge as a result of dual pressures, both from the bottom and from the top. In the West, on the other hand, the pressures principally consist of the former type. It has to be remembered that the Polish authorities were interested for many years in creating huge, although not necessarily efficient, economic organisms, which satisfied their megalomaniacal ambitions, as well as making it easier to control the economy through orders and quotas, often simply by telephone. Our monopolies are an offspring of the order-and-quota system and as long as old habits and nostalgia for the return of that system prevail in the state and economic administration, the chance of a victory in the battle against home-grown monopolies will be small.

[Question] If the germ of the monopolistic tendencies lies in some decisions made by the authorities, to whom should the monopolies office be subordinated to in order to operate efficiently?

[Answer] People are divided on this point. Some think it should operate in a similar manner as the Supreme Chamber of Control [NIK]. Others maintain that it should be a government agency if it is to carry out the government's anti-monopoly policies. Still others would like to see it placed somewhere in the economic structure, along the lines of the National Bank of Poland.

[Question] When will the final decisions be made?

[Answer] I am not sure it will be possible to pass this law before the end of the year, and maybe not until mid-1984. It is no secret that it seeks to undermine the position of many economic giants and will certainly arouse much controversy in enterprises as well as in economic administration bodies.

CSO: 2600/1153

'POLONIA' FOREIGN-OWNED CAPITALIST-TYPE FIRMS DEFENDED

Excessive Criticism Deplored

Warsaw LAD in Polish No 8, 20 Feb 83 p 7

[Article by Henryk Borucinski: "Emotions Surrounding Polonia Firms"]

[Text] The pressure of unhealthy emotions surrounding Polonia firms has already become so intense that it can no longer be ignored. An army of auditors from the State Trade Inspectorate [PIH] and the Finance Ministry has stepped into action. Television has rushed to its succor and presented a program suggesting that we have admitted a bunch of wheeler-dealers into our country, whose only goal is to pile up zlotys to spend them later in Hawaii. They produce junk goods--the television audience was informed--and charge big money for it. Talking, for example, about producing junk goods and about profiteering prices, the production of cortanin was shown on the screen, which because of its appreciated quality costs threefold as much on the bazaar as the Polonus firm charges for it. A journalist of the most patriotic stamp took a subtler approach to discredit these firms: "What did this 'Kowalski' call himself before the war?" he asked and broadly hinted that no Rapaport had the right to claim Polish origin (even, I suppose, if he has been born in Miedzyrzecze Podlaskie).

The results of the inspection exceeded all expectations. The PIH has found, for example, that 87 percent of the raw materials used by Polonia firms are of domestic origin! Nowhere however is it written that Polonia firms are not allowed to use domestic raw materials. I will add that if such a prohibition was officially expressed or if these firms were prevented from purchasing raw materials in another way, it would contradict the Council of Ministers' statute of June 1981 which states that Polonia firms have equal rights with the other subjects in the small manufacturing sector regarding the supply of raw and other materials. To make things funnier, despite this equality of rights, state and cooperative firms are supplied in the first order. And to make them even more amusing, Polonia firms use altogether 2.2 percent of the total value of raw materials supplies for domestic recipients in the small-scale industry sector.

Similarly grounded were the other charges brought up by the auditors. Is it really an issue that a Polonia-produced soap bar for a short while cost 70

zlotys and was of poor quality? Today it costs much less and its quality is better. We are now waiting for Minister Lakomic to follow suit and lower the price of medium-quality rationed English soap bars from 60 to 30 zlotys so that we can stop scavenging for Polonia soap. The ugly Polonia capitalist will go bankrupt and only the English capitalist will be making money.

I have been watching the formation of an unhealthy atmosphere around Polonia firms from their beginning. Simplifying things somewhat, one can say that the opponents of these firms are the same people who want to halt the reform. If they can manage to "fix" these firms, they will also "fix" the economic reform. We will then find ourselves at the point we had started from, that is the point from which we set off toward the crisis.

I have always believed that what our economy needs most is an injection of entrepreneurship. Strictly in this category I view allowing firms with foreign capital into Poland, and I have not been off in my reckoning. Those however who counted on an inflow of great capital, modern technology and subassemblies, who expected Polonia firms to start pioneering work in provinces completely devoid of basic infrastructure and dedicate their profits (minimal, of course) to orphanages, such people are childishly naive, ignorant of the principles of the market economy and of the drives behind human actions.

Although Polonia firms are still at the infant stage, they have shown that the situation in Poland in regard to raw materials is not so terrible: Productivity is not so bad either, but proper organization of work, supplying workers with tools, raw and other materials on time and adequate wages, are necessary. They have also shown that firms which work dynamically can afford to invest and that one can build something fast in Poland.

This picture is too pretty. There is the other side of the coin: high prices and low quality of the products. Fortunately we have a great weapon at our disposal. We can simply restrain ourselves from buying.

Polonia firms are a great testing ground for the economic reform. After all they are the only industrial enterprises in Poland completely managed by the system of parameters; so much spent--so much earned. Their experiences can turn out to be priceless for the fate of the reform. One thing we already know for sure, no state or cooperative enterprise starting from zero has been able to set production in motion this fast. So what if it is often done in a shack? This ought to count as a plus, not a minus, dear television journalists. We have built in Poland palacelike production halls, in which we produce badly and little. Any conclusions?

A new statute on firms with foreign capital is in the works. It foresees the participation of foreign capital in large economic enterprises. If we continue the nonsensical charges against Polonia firms, we will right away put a stop to the work on the new statute. Capital can flow only to a credible country which creates suitable conditions for activity.

Sharp voices are being raised in our country about the restoration of capitalism. These voices belong to the blind and the deaf who have learned nothing

from the observation of our economy for nearly 40 years. They are unable to draw conclusions and compare. They want simply to build up political capital at the cost of the man in the street. Let us not allow ourselves to be fooled. Without a consistently implemented economic reform we will be condemned to taking small steps backwards and may even have to trot backwards, if the doctrinaires get their way. Let us return to the problem of Polonia firms. At the end of 1982, there were about 270 of them. They employed about 7,000 people, their turnovers reached the amount of 15 million zlotys and they exported goods for about 10 million dollars.

The Top-Mart firm built a production hall of 8,000 square meters in Lodz at the cost of 258 million zlotys; the firm Decor, 2 production halls amounting to 1,800 square meters in Deby Wielkie; and Alpha-Electronic--2 production halls in Krakow of 4,400 square meters. These are only some of the investments. In proportion to turnovers achieved, this is the most investing economic sector in Poland. The firms produce for the domestic market and for export. They supply subassemblies to state firms which would have to be imported for hard currency, they put into production "inactive" patents and utilize discards rejected by others.

According to the estimates, the productivity count per one employee in Polonia firms amounts to 880,000 zlotys while in cooperative enterprises it amounts to 308,000 zlotys and in crafts--247,000 zlotys. And after all, Polonia firms are still in the organizational phase, still battling the bureaucracy, still, unfortunately, not very sure of their future. The forecasts of some authors of the reform have proved true: the most difficult problem is to restructure the mentality of the central system of management. I personally vote not for a restructure but a replacement, since it is too late for learning.

Recent Criticisms Answered

Warsaw TYGODNIK DEMOKRATYCZNY in Polish No 13, 27 March 83 pp 4-7

[Article by Florian Dluzak: "Who Is Afraid of Polonia Firms?"]

[Text] I have been watching foreign investments in Poland from the very beginning and even earlier in the conceptual phase. The first timid suggestions for such investments came from both Polonia and domestic activists around 1974. These ideas were cultivated by the Polonia Association for Liaison With Poles Abroad with the understanding that economic cooperation can on one hand be a link connecting Polonia to the mother country, and on the other, a form of economic activity bringing measurable and fair benefits to both sides.

The early stage of thinking about investments revolved around the lowest level of manufacturing and services, namely crafts. Polonia economic activists, particularly those who had already made business contacts with Poland, liked the idea. Their influence brought about the expansion of this thinking. They also pressed for speeding up the decisionmaking process claiming, quite rightly, that there was no point in delays, for time is money. The Polish side was also in a hurry because the crisis was increasingly being felt.

The first regulations, which showed the Polish economy intended to accept foreign investments (above all Polonia-type) came out in 1976. I remember very well the impatience of that period. In 1977 the first three foreign-owned Polonia enterprises, as they began to be called, started their operations. These were: Top-Mart, Konsumoprod and Dekor. "Can three enterprises signal the creation of a new economic phenomenon?" was the question asked.

In the next few years things did not move ahead very fast. In 1978, 9 permits were issued, and in the following years 18, 46, 68 until finally in 1982--230! This surprised above all those who calculated that the imposition of martial law would have negative effects on the Polish economy. Those who wished their country the worst expected that Polonia too would follow the guidelines set by U.S. President Reagan, who decided that the Polish nation would benefit most from economic sanctions directed against it.

Polonia's reply was different however. Although one cannot overestimate political motives in the decisions of Polonia economic activists, nevertheless their lack of faith in the sense of Reagan's sanctions and opposition to them cannot be doubted. The jump in the number of new Polonia firms was very welcome. It represented the formation of a production mechanism which could make a difference in the domestic market and in exports.

Here, however, a strange thing happened. The phenomenon which had seemed welcome evoked in some economic circles in the country a kind of consternation. Apparently failure would be better received in those circles. Accusations appeared which I will enumerate here because I want to throw some light on them.

Polonia foreign-owned enterprises are being accused of:

using domestic raw materials instead of importing them with foreign exchange,
draining the labor market of specialists,
paying their employees well,
producing junky goods,
earning too much in proportion to foreign exchange investment input.

I propose to examine each of these accusations separately.

Raw materials. An investigation of this area has been undertaken by the office of the government's plenipotentiary for foreign affairs of small-scale industry enterprises. This investigation confirmed that socialized production and wholesale enterprises were the main sources of raw materials supplies. To a lesser degree raw materials and semifinished crafts products, so called local and leftover raw materials, and materials purchased from private persons (parcels from abroad were the usual source) were utilized.

In socialized production and wholesale enterprises, semifinished or finished products rather than raw materials are usually procured. The particular complaint here applies above all to the textiles processed by Polonia enterprises which make clothing, underwear and the like.

The reasoning is that the textiles sold to Polonia enterprises could be processed in socialized factories and delivered to the domestic market. This is true but these materials sold to Polonia enterprises are also being processed and delivered to the domestic market or for export. One may even suppose that they are better processed and more effectively exported. There are no visible market losses or social disadvantages and only the prices or the issue who gets the profits could be the possible bone of contention.

The investigation showed that in the first three quarters of last year Polonia firms bought from socialized enterprises raw and other materials for 517 million zlotys, which amounted to 2.2 percent of the total value of these enterprises' deliveries. Thus the phenomenon is on a small scale and besides, when asked why they cooperated with Polonia firms, these enterprises answered that they did not do it without self interest and certainly not in order to increase their partners' profits. Within the framework of those transactions, they obtained foreign exchange allowances, were supplied by Polonia partners with spare parts and imported materials, got higher prices and finally received finished products (in the case of wholesale enterprises) for domestic market supplies.

I will illustrate this with a concrete example. The Top-Mart firm cooperates with socialized textile factories. It needs materials of high quality from which it produces pants for the domestic market and for export to Switzerland, West Germany and Canada (it does not separate domestic from export production). The CEBA factory in Czystochowa can supply such materials, but it needs spare parts for its machines, because without them they stand idle. That is how a combined transaction was made. Top-Mart imported the spare parts with foreign exchange, sold them to the factory for zlotys (at 86 zlotys to a dollar) and for this received a small part of what the formerly idle machines produced.

If one calculates the whole transaction in cost-effectiveness as well as in social-effectiveness, it seems impossible that CEBA made a worse deal than Top-Mart.

All the same CEBA was audited by the PIH precisely because of its cooperation with Polonia firms and a charge against the factory was made. Reducing the post-inspection conclusions to their simplest category, CEBA was criticized for putting its whole industrial potential into motion. If the machines stood idle for lack of spare parts--everything would be all right: events beyond anyone's control, lack of foreign exchange, no one to be blamed. So far, as the result of the PIH inspection, the CEBA director, who took seriously the sacramental three "S's," resigned from his post and the factory again faces the specter of stopped production because it has no reserves of spare parts. Cooperation with Polonia firms, which was solving this problem, has been suspended.

Anyway, I have reservations as to whether one can make a charge out of the fact that a firm buys materials from a socialized Polish enterprise. Such a charge is very far removed from the conceptions of the economic reform!

To set things straight I will add that about 20 percent of Polonia enterprises' supplies come from crafts and agricultural producers and also that Polonia firms last year imported raw and other materials for the sum of 5.3 million zlotys and 3,000 rubles. Besides, if we want to turn the attention of these enterprises to certain sources of supplies which are of advantage to us, it must be done through active economic policy. We cannot hope that foreign investors will themselves set about developing in our country the areas which we particularly care about.

Specialists. Do Polonia enterprises drain the labor market of specialists? Actually, a polemic about such a charge is pointless, facts speak for themselves. The state of employment in Polonia enterprises at the end of last year amounted to 12,200 persons, half of whom were women. Some 9,100 persons were employed directly in production. Enterprises created in 1982 have not developed their full production potential yet; when they do, employment will reach 20,000 people, which may take place relatively soon. Let us compare: in the socialized economy over 12 million people are employed. How can 20,000 people make any kind of dent in it?

And two more aspects of this issue: Polonia enterprises mean new jobs. This may seem of little importance now, but it will grow in significance when the reform mechanisms finally reveal the areas of our "jobless employment." Secondly, Polonia enterprises meet their obligations in work conditions and social welfare to the workcrews generally well and often exemplarily so.

Wages. It is a fact that the wages are good. I would however advise restraining ourselves from exaggeration. I am familiar with the data from Polonia enterprises in Warsaw Province where the average salary does not surpass 14,000 zlotys. So it is not such a "Canada" after all. These decent wages result from the fact that Polonia enterprises are able to increase productivity without increasing the number of employees, which gives greater labor efficiency. When we analyze two similar enterprises, Polonia and a state or cooperative one, it turns out that the pay in the Polonia enterprise is not so extraordinary after all if we consider that its labor efficiency is much higher than in the other enterprise.

Therefore instead of criticizing the fact that Polonia enterprises pay better, it would be worth the trouble to take a look at the ways in which these enterprises gain higher productivity with fewer employees. Popularizing these ways would bring us much closer to the ideal of the economic reform.

Junky goods. They happen even to the best. If someone hoped that Polonia enterprises would produce in our country exclusively goods on the highest world technological level and sell them below their own costs, such a person would be naive. These enterprises produce as they can and as it pays them. Junky goods however can easily be detected, although I would discourage socialized enterprises from small-scale industry competing in this regard (on the other hand, such a competition would perhaps be in the social interest?).

Social criticism in this respect is clearly inconsistent. One can often hear, also in private talks, complaints about the products of the Inter-Fragrances firm (cosmetics, scents, food extracts), yet at the same time lines form themselves in front of the firm's outlets. In my opinion the Consumers' Federation has an important mission here: society must somehow be taught to express its opinion by restraining from buying products whose quality or prices it finds unsatisfactory. Such an act would have great power!

Earnings. Are the earnings of the firms I am writing about too small or too large; how is it so? One must begin with turnovers. Last year these reached the sum of 17,650 million zlotys; 6 times higher than in 1981. An impressive growth. Perhaps this scares those small-scale enterprises which have a hard time making ends meet and feel it unjust that others prosper in the same conditions of crisis....

To the point, however, I have data collected by the Finance Ministry for the ten months of 1982. The turnovers amount to 12.4 billion zlotys; the turnover tax--6.5 billion zlotys (all enterprises pay it, including those who are only beginning their operations and are by law exempt from income tax); taxable income--1.2 billion zlotys (it is so low because firms formed in 1981 and 1982 are exempt from this tax); income tax--9.6 billion zlotys. Regulations establish a ceiling for the income tax of foreign-owned Polonia enterprises at 50 percent, which is clearly a preferential regulation.

The preference limiting income tax to 50 percent is critically viewed by the finance department and all small-scale industry enterprises including crafts. This preference exceeds most favored nation clause, or to put it differently: enterprises bringing in foreign capital are guaranteed better conditions than their domestic counterparts. One must however admit that it is precisely this preference which generated the rapid development of Polonia firms in 1982. The economic leadership thus faces a dilemma; what is better: further, dynamic development of Polonia firms, or higher taxes? On the basis of the data presented here one can understand the perplexity of the finance department, which collects only 600 million zlotys from this business while the net profit at the enterprises' disposal amounted to about 2.2 billion zlotys.

The tax collectors must however be patient: in 3 years it will collect from these same enterprises at least 10 times as much in taxes. More important however than the tax collectors' perplexities seems to me the fact that the preferences, specified by regulations, which were to stir the interest of foreign firms in investing in Poland, really are beginning to bring results.

One more word about foreign transactions, which also generate suspicion because it is being said that the firms do not invest enough in foreign exchange: the exports last year amounted to a total of 7,676,000 dollars and 186,000 rubles. The respective imports amounted to 5,312,000 dollars and 3,000 rubles.

There is one more thing left to be explained: the use which the enterprises make of their income. Generally, it can be said that the income is spent on investments. Last year the sums of 1.5 billion zlotys and 4 million dollars

were laid out for this purpose. This testifies to the attitude of Polonia entrepreneurs who as a rule put their stake in the further development of their enterprises. In any case, such action is dictated by the situation, because the enterprise owner cannot take the zlotys earned as net profit abroad nor, being a foreign resident, use them for his needs in Poland. Besides, regulations do not allow him capital locations in Poland in, for example, land purchases.

A peculiar thing is worth pointing out: Polonia enterprises as a rule locate their foreign exchange surpluses from exports over imports in developmental needs. Regulations allow them to take out of the country half of such a surplus in foreign currency, provided that the other half is converted in the PKO Bank into zlotys. Such transaction took place only once. The phenomenon defies the forecasts. Specialists expected a push for the transfer of foreign exchange abroad, while Polonia entrepreneurs are obviously more interested in the development of enterprises than in the transfer of hard currency.

In order to evaluate the present activity of Polonia enterprises one must compare the actual output with the one expected. What were the expectations?

(1) Undertaking modern production on the basis of imported, local and scrap raw materials.

This expectation has generally been fulfilled except for the imports of raw materials, which have been lower than had been assumed.

(2) Import of modern machinery and equipment.

This has been the rule. I have not found one Polonia enterprise using domestic machinery.

(3) Production of goods in short supply.

The results on the market are visible. The evaluation is however difficult because today nearly all goods are in short supply in Poland.

(4) Development of exports.

Polonia enterprises export if for no other reason than because they are forced to do it by the necessity of paying for equipment and purchases of raw materials. One must however, assume that the larger the imports, the better it is for us. Particularly the development of cooperational imports could bring the Polish economy greater benefits. One can sense lately that socialized enterprises are hesitant to enter into cooperation with Polonia firms. That is unfortunate because such cooperation could be very beneficial.

(5) Providing new jobs without outlays on the part of the state.

This has been met to the fullest extent. The number of jobs supplied has already amounted to 20,000. The positive side of this phenomenon however has faded somewhat because despite the implementation of the reform, jobs are still looking for candidates rather than vice versa.

(6) Returns into the state treasury from taxes and fees.

These have been coming although they have not been very large yet, mostly because of the protection period which all newly formed enterprises enjoy.

Among the criticism levelled, one can also hear that some firms violate the trade, foreign exchange and other regulations in force. These however are mostly empty accusations. So far only one firm has had its permit revoked as a result of infringements, which seems to be a logical penalty.

Taking all this into consideration, the following conclusions can be drawn: foreign investments in our country fulfill the majority of expectations. Above all, they serve as examples of thrifty and efficient management. Some people are surprised that Polonia firms can obtain visible economic results even without large imports. Had we been able to act in the 1970's as Polonia firms are acting, that is, efficiently develop production for domestic and foreign markets with relatively minor foreign exchange outlays, we would not be having a crisis now!

What will therefore prevail? The daring to follow efficient models, or a fear of them? Time will show....

Healthy Competition Provided

Bialystok GAZETA WSPOLCZESNA in Polish 5 May 83 p 6

[Article by Hanna Przygoda: "Personally I rather Like Polonia Firms"]

[Text] Various things are being said about them in an aura of secrecy, rumor and shocking hearsay. Privately-managed state stores [sklepy agencyjne], boutiques and commission stores are criticized for the boldness with which they promote goods they produce. We are talking about Polonia enterprises. Even serious weeklies whose concerns are altogether different are beginning to criticize excessively salty ketchups and washing powders that do not wash--as if domestic producers were an idea model in this respect.

Although these firms have been legally operating for over 6 years, the watchfulness and concern that they do not strip the consumer bare of cash, and the inquisitive gossip surrounding them are of recent date. Large amounts of Polonia-produced goods have only recently been in evidence. One of the reasons they spend some time on store shelves is certainly their rather high prices. They are expensive, therefore, we think before buying them and do not stock up.

On the Bialystok market the activity of "foreign capital" was first heralded by the appearance of chemical and cosmetic goods, but even in the period of tight rationing of soap and washing powders, neither the washing powder named "Sic!" nor the shampoos (which supposedly differed little from dishwashing detergents) found many buyers, as those products were of low quality and highly priced. Ketchup and baking powder are no longer hot items either--consumers think they ought to be cheaper. No matter how we view Polonia enterprises and their prices, however, we must admit that they have enlivened the nearly 2-year hiatus in commerce.

Five years ago a Polonia firm was created in Krakow which was making its own styles of denim clothing from Texas-produced fabrics. Throngs of young people flocked to Krakow then to buy attractive clothing at affordable prices. The firm's turnovers grew and soon the owner moved on to a more profitable business. Clothing currently produced by Polonia enterprises is criticized of being high priced. Is the criticism justified? After all, our craftsmen set similarly high prices on clothing produced from identical materials but bought in Pewex.

In Bialystok, stands selling clothes produced by Polonia firms can be found in many stores and even in the building of the Jagiellonia Sports Club; they offer the latest fashions of the summer season for women. This year it is a dress of cotton knit woven with golden thread; the style is less important as long as the hem is above the knee, but for many customers it is important that the price not be above their financial possibilities.

Everything suggests however that this year women will lag behind fashion for purely financial reasons because the Krakow clothing firm appeared and was gone like a meteorite, the prices of craftsmen's products at the Warsaw bazaar are still more expensive and the network of retail stores offers fashions that are 5 years old.

Despite reservations as to their prices, Polonia firms hardly constitute competition for the domestic crafts and cooperative enterprises. In Bialystok the Vienpol firm has been in existence for 3 months now, producing knits. The first batch of sweaters and tops (from Italian yarn!) has already gone on sale in Hajnowka WSS stores. The products are of attractively good quality and accessible prices. Before the end of the year, Vienpol intends to supply the Bialystok market with nearly 6,000 sweaters.

The Gambem firm is being created in Lapy and plans to produce protective clothing as well as to offer tailoring services from its own and customers' materials. Soon the first series of artistic and ordinary glass produced by the Artis firm also ought to appear in the stores.

In Grodek a branch of the Karpatia firm, known for a year now in Krakow and Nowy Sacz provinces, will supply the local vegetable and fruit processing plants. On land leased from the State Land Fund, Karpatia, in addition to the plantation, plans to breed livestock and poultry. Another Polonia firm declared its intention to open this year a service garage for western-made automobiles in Bialystok. The Provincial People's Council's section of industry and services has already granted it a permit. Polonia firms' activity so far has been welcomed by economic specialists, even though customers have had varying opinions about it.

Some 347 permits have been issued in the past six years, 230 of them last year, to Polonia enterprises for production and services. Presently Polonia firms produce clothing, cosmetics and drugstore products, plastic goods (in the series "1001 articles"), furniture, vacation homes, wood products ranging from toothpicks to construction carpentry, household articles and even small medical equipment. They also supply the following services: purse making, furrier, construction and repairs, automotive, and designing.

After the Sejm statute of July 1982 giving more room for action to Polonia firms and giving them more stability, 384 more firms have asked for permits to begin production.

No matter what they intend to produce and what services they will provide, the market and consumers ought to welcome them with open arms because:

- 1) we do not have to spend our own money on investments,
- 2) no one forces us to buy expensive goods,
- 3) it is nice to have an illusion of choice in stores,
- 4) there is no danger that our domestic producers will follow Polonia firms' prices because according to the announcement (made at the ministerial level), we are aiming at regulated prices.

Conclusions of Conferences

Wroclaw GAZETA ROBOTNICZA in Polish 23 May 83 p 2

[Article by Dorota Pietrzyk: "Polonia Firms After a Year"]

[Text] (From our Warsaw correspondent) Polonia firms for some people constitute a capitalist devil let in through the back door to a socialist country; for others they are pike in a pond of fat, lazy carp, allowed there for the purpose of cleaning the atmosphere. Both of these opinions are based on temperament rather than truth. In the course of several hours of deliberations of the Sejm commission for financial planning, budget and finances with representatives of the Finance Ministry, a formula was worked out which neither demonizes nor idealizes these small, after all, enterprises operating on the margin of our market.

After a year it is clearly visible that the hopes of those who believed that Polonia capital would save our economy were exaggerated. Some 230 firms (it is worth noting that half of them came into existence during martial law) ended the year with production amounting to 17.5 billion zlotys. Some 14 billion zlotys in goods were delivered to stores, 2 billion zlotys were spent on supplies and the value of exported goods amounted to less than 1 billion zlotys.

It turned out that it is possible to do good business in Poland at relatively low cost as far as the input of one's own capital is concerned, providing that one displays flexibility and entrepreneurship, detects gaps in market supplies and fills them right away. The best proof of this is that the returns in the production value from each dollar invested averaged 750 zlotys. As can easily be calculated, the Polonia capital input slightly exceeded 2.3 million dollars, which gives less than 10,000 dollars, that is, the equivalent of a decent car [sic].

Judging by the reaction of the black market and the present shortage of "green notes," this capital has already been pulled out, bought out with zlotys. The

Polonia firms cannot be blamed for it, of course, but rather our tax and supervision practices and the inability to specify the conditions of how it should be. The representatives of the state ought to induce the interested parties to use imported raw materials and to discourage them from buying out domestic raw materials which are in shortage, as indeed it has been happening.

The majority of the firms, it was stated in the discussion, undertook the production of needed goods, filling in some, generally minor, holes in market supplies. The first experiences therefore suggest that we should stabilize the position of these enterprises in our economy. This does not preclude racketeering or exploitation in a plundering colonial style (how else to classify the authentic fact of obtaining production in the value of 10,000 zlotys for each invested dollar?). Even extreme examples of greed, hiking up of prices and buying out materials (by means of persuasion?) are not an accusation against the firms, but a charge against the clumsiness of our administration. After all, each of the provincial governors, who grant the permits, is fully able to specify the conditions for production, supply and capital (with the help of lawyers) which would prevent activity incompatible with social interest and standards of business honesty. Each producer, if he has a choice, will always follow the easier road to profits, which has been emphatically proven by domestic examples and has now been reinforced by the Polonia version.

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IMPLEMENTATION OF ECONOMIC REFORMS IN FOREIGN TRADE DISCUSSED

1982 Results

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1983 pp 3-7

[Article by Ryszard Michalski: "Problems of Implementing Reform in Foreign Trade in 1982"; an abridged and modified version of the "Report on the Implementation of Economic Reform in Polish Foreign Trade in 1982," prepared by the HZ [Foreign Trade] Planning and Organizational Methods Plant of the HZ Institute of Market Situations and Prices, based on research conducted in enterprises]

[Text] Changes in foreign trade cannot be assessed in isolation from the processes that are taking place in our entire economy. Nonetheless, despite the importance of economic relations with foreign countries, domestic problems and solutions clearly dominated economic policy in 1982.¹ Undoubtedly, this had its effect upon the possible systemic solutions and upon our foreign trade results, that currently are contingent directly upon progress in economic reform.

An assessment of the implementation of the reform in foreign trade in 1982 is complicated for several reasons. First, the real processes--both domestic and foreign--did not favor the reform and the development of foreign trade. The progressive decline in management efficiency, the numerous "bottlenecks" and the considerable decline in production in the processing industry as well as the "undernourishment" of the domestic market hampered (and still hamper) efforts to designate an adequate amount of goods for export; furthermore, insufficient export income was the major cause of sharp import cutbacks. Likewise, sharpened recessionary trends abroad and declining price trends for raw materials and fuels, combined with the credit restrictions of the capitalist countries against Poland, created serious obstacles for our trade.

Second, the exigencies of current economic policy, emanating from the situation in the practical management sphere, were frequently at odds both with the need to reform the management system and with the possibilities of the economic mechanism that was arising.² To a certain extent this is understandable, if one considers that the tasks of current economic policy are implemented within the framework of the current management structures and instruments, while making a qualitative change in them is a goal of the reform. However, the

concentration of economic policy on immediate matters and the domination of efficiency criteria by political-social criteria undoubtedly have held back the progress of the reform. This has been evident (and not only in foreign trade) in the drastic narrowing of operational horizons and in the atrophy of the incentives system.

Third and last, the process of implementing economic reform in 1982 was marked by many inconsistencies and delays. On the one hand, solutions in the various management spheres were not coordinated and some fields lagged behind others. For example, the system of domestic prices, together with a liberal monetary policy, prevented the effective operation of the rate-of-exchange mechanism; meanwhile, legal-institutional solutions did not consider the fact that enterprises should be supplied with their own foreign-exchange funds, and that the flexible transfer of these funds was necessary. On the other hand, within the framework of a given field of management, solutions were introduced that were not always cohesive and that departed qualitatively from the so-called target model. This was also evident in the sphere of economic relations with foreign countries, where the systems-type dissimilarity of the initial situation compared with this model was probably greater than anywhere else in the economy. Various solutions appeared here: from the innovative through the indirect to the traditional solutions apropos of the orders-distribution system.

This article will treat the systems-type changes implemented in foreign trade in 1982, utilizing the division of management functions developed by Professor Pawel Sulmicki.³ Based on this division, I will discuss in order changes in foreign trade planning, strengthening, control and organization. I will focus my attention on reform progress, i.e., on newly implemented solutions and will not enter into traditional foreign trade policy.

/In foreign trade planning/ [in boldface] extensive changes have been made in the planning procedure and in the contents of plans, both at the central level and at the executory level (foreign trade enterprises and production enterprises). In particular, the procedure of the so-called "planning shuttle" and the practice of breaking down tasks in upper-echelon plans and assigning them to executors have disappeared. They have been replaced by various kinds of consultation, by the exchange of unofficial data, by planning suggestions and by negotiated agreements (between foreign trade enterprises and producers).

At the central level, in addition to the rapidly obsolete central yearly plan (prepared at the end of 1981), plans for the first and second quarters and a plan for the second half-year have been prepared. These plans, set up on the basis of current zlotys, make use of large volumes: export and import volumes divided according to payments area and into products of the electromachine industry and all other goods. Moreover, the export of electromachine products is broken up into the more important groups of products, while a sector-subsector structure is used for other goods turnovers. Only the more important commodities are listed according to kind and amount, including goods from the so-called foodstuffs block in turnovers with the second payments area. A special feature of these plans in their departure in practice from the consignee structure. Except for sociocultural turnovers, there is no consignee for tasks.

Meanwhile, in long-range planning, the relationship between the "Governmental Program for Surmounting the Crisis and Stabilizing the National Economy" passed by the Sejm in 1981 and the plan for 1983-1985 known as the "Three Year Plan for Restoring Economic Stability" is unclear. These two documents differ substantially in their assumptions regarding trade turnovers with foreign countries and the role of foreign trade (in the first it was to be an "element lending vitality to the economy"; in the second it was a "major drawback of the economy").

At the executory level, the process of generating plans, including foreign trade plans, was prolonged in 1982 due to a delay in the change in the goals [as published--cen? (prices)] of purchasing and to the breaking in of a system of agreements. The planning process likewise was delayed due to the normal wait for the establishment of central quarterly plans and plans for the second half-year. On the one hand, the autonomous character of planning was very limited due to procurement problems, and on the other hand it was subject to ever stronger influence exerted by the financial system. Materials-type planning continued to dominate however, with production enterprises focusing their attention on products for the domestic market. Export deliveries were planned either from the viewpoint of the benefits derivable from a production-task related export or as a result of the "pressure" put on by a particular plenipotentiary; they were also planned on the basis of agreements concluded with a foreign trade enterprise. The great uncertainty of operations led to the distinct narrowing of the horizons of contractors' plans and to a reduction in export tasks. At the level of foreign trade enterprises, significant problems occurred in the structuring of import plans from the second payments area [capitalist countries], caused primarily by Poland's payments situation. Moreover, these enterprises were not informed in time of the import needs emanating from production-task programs. This had a negative impact upon their purchasing policy.

In analyzing 1982 experiences, it is difficult to judge whether the new foreign trade planning principles were effective. The fact is that implemented 1982 volumes depart significantly from planned volumes and that corrections were made both at the central level and the executory level, but they were not as frequent (there were two or three as a rule) as in previous years.

In conjunction with the departure from the foreign-exchange zloty standard, it became more difficult in foreign trade planning to coordinate materials-type plans (i.e., in in-kind units) with financial plans (value-related and drawn up in zlotys) and payments plans (set up on a foreign-exchange basis). The question of the comparability of data from different periods compiled in zlotys and foreign exchange also became more complicated, particularly given the considerable liberalization of the rules of domestic price-setting.

Relatively the fewest changes occurred /in the field of increasing the amount of foreign-exchange funds in the economy/ [in boldface]. Through all of 1982, the broad-scale centralized distribution of these funds continued. About 97 percent of our entire free-foreign-exchange import was financed by centrally distributed funds by the Interministerial Team for Import Production-Task Control Affairs. The foreign exchange was allocated for periods of one quarter. The first priority was the awarding of funds for the import

of centrally balanced goods (at the disposal of the minister of foreign trade); the second priority was funds to implement production-task programs (at the disposal of the appropriate plenipotentiaries or ministers); next, the needs of the particular ministries were served (including sector-subsector ministries, but not including centrally balanced goods and import for production-task programs); the last priority was funds for other purposes (including import for central investments). The team likewise determined the total amount of funds designated on a quarterly basis for servicing foreign-exchange allowance accounts and for export advances.

Although export was part of a separate production-task program, there was no definition of the connection of export tasks either with the distribution of basic raw and other materials or with central import purchases. Hence, many enterprises felt that belonging to an export production-task program improved their producer goods procurement only slightly, if at all.

The situation practically did not change with regard to import from first payments area countries. For example, the Planning Commission continued to distribute centrally balanced goods according to a consignee system. In 1982, the significant divergence continued between the provisions of the agreements signed with CEMA countries and the distribution factors.

It should be emphasized that in 1982 the distribution of foreign exchange was effected largely by means of a hierarchical system of ministries and associations and the distribution of the means of production that are in short supply either was transferred to the association level or to the plenipotentiaries for the ministers of the affairs of separate production systems, or was handled by the plenipotentiaries for production-task program affairs. All of this expanded the operation of the discretionary principle and caused the regeneration of the subbranch management structures characteristic of the orders-distribution model. These phenomena were counteracted only minimally by the automatic obtaining by enterprises of foreign-exchange funds in the form of foreign-exchange allowances from income from export paid for in convertible currencies.

Foreign-exchange Allowance Accounts (ROD's), conceived as a powerful incentive for expanding free-foreign-exchange export, were introduced as individualized percentage rates on export value. As an instrument they are midway between the parameter and the foreign-exchange allotment, being in reality a form of decentralized foreign-exchange distribution. In contrast to the foreign-exchange standards formerly in effect, the ROD's have preserved their liquidity due to the fact that enterprises that have special accounts in the Commercial Bank have their foreign-exchange accounts fully at their disposal. The minister of foreign trade in consultation with the ministry of finance determines the annual rate of foreign-exchange allowances for production enterprises based on reports of direct import-intensiveness and import needs⁴ related to the export production of the given enterprise. In accordance with the law, the maximum allowance rate may not exceed 50 percent of income in convertible currencies. In 1982, it averaged about 19 percent. ROD's are introduced either individually for particular enterprises engaging in export production or collectively. In the latter instance, the foreign trade enterprise or

the association acts as a broker. By the end of 1982, 397 ROD's had been opened, covering 1,317 enterprises. In the course of a year, \$358.3 million had been deposited into these accounts, of which only \$122.1 million was spent. So little use made of import funds available within the allowance framework, given the severe foreign-exchange shortage, may be interpreted in two ways. First, it is a tactic of enterprises that treat ROD's as an emergency, last-resort source of foreign exchange, preferring the central distribution of import funds. Second, it is the breaking-in of the allowance mechanism itself, that was made much more flexible and much broader during the second half of 1982. In particular, the threshold of \$50 million zlotys worth of export annually for state enterprises competing for a foreign-exchange allowance rate was lifted. Moreover, the possibility of creating ROD's was granted likewise to coproducers (the new so-called KOOP's). During the fourth quarter, allowances for transport enterprises, the fishing industry and telecommunication services (the so-called TROD's) were introduced. When one considers that the allowance system also operated in coal mining (at a rate of 10 percent of free-foreign-exchange income) and in small-scale industry (in the form of foreign-exchange accounts into which 20 percent of the value of implemented gross export as well as 30 percent of its increase was directed), it becomes clear that this method of partial foreign-exchange self-financing⁶ could have become a universally operative incentive for stimulating export in our economy. This was contingent, however, upon the guarantee that the allowances would be workable, but especially upon their increase in scope. Meanwhile, the foreign-exchange funds used from ROD's in 1982 represented less than 3 percent of import purchases made with convertible currencies. In order to increase the incentive produced by ROD's, during the fourth quarter the decision was passed to making them interest-bearing; however, no decision was made with regard to their nature as property. The departure from account record-keeping in effect in 1982 regarding state enterprises may increase interest in the level of use of the foreign-exchange funds in an enterprise's possession, if only out of the need to finance this type of asset. The rational use of limited import funds means that it is indispensable that we make it possible in the near future for enterprises that have a surplus of them to sell them to enterprises that wish to buy them at commercial rates.

The dependence of allowance rates on the direct import-intensiveness of enterprises (motivating them to reduce it) and the related question of their excessive individualization are problems that have not been resolved.

/The control of foreign trade/ [in boldface], i.e., influence exerted indirectly upon economic exchange with foreign countries, remained in the theoretical sphere during 1982. Despite innovative reform regulations, and even formally binding legal regulations, we still have not succeeded in setting standards that provide parametric guidelines. By the same token, indirect management via properly set prices, rates of exchange, levels of taxation, interest rates and profit margins and commissions was not used. Instead, trade was controlled "manually." This led to the creation of false parameters in the form of expensive prices, unrealistic conversion factors and discretionary instruments as the corrective for the rate of exchange. The process noted of departing in practice from reform assumptions obviously had its deeper, general economic foundation.

The price/rate-of-exchange mechanism demonstrates this clearly. The principles of the reformed system of price-setting amounted to the significant decentralization of the right to set them and to limit direct state intervention in price affairs, on the one hand, and to considerable flexibility in the entire system of prices on the other, which was to lead to the desired changes in the structure and level of domestic prices. A principle basic to price-setting was to be the tying-in of a significant part of domestic prices with so-called world prices. Council of Ministers Resolution No 133/81, passed on 12 July 1981, made the producer prices of basic raw and other materials contingent upon the transaction prices charged and paid in turnovers with the second payments area and proposed that the former be changed as a result of the change in the world (foreign-exchange) price or the currency rate-of-exchange in effect. In this way, the zloty rate-of-exchange was to assume an important price-setting function: its rate was to begin to have an impact upon the level of domestic prices. In accordance with Council of Ministers Resolution No 244/81, the rate-of-exchange mechanism was to be based upon the rate-of-exchange in use in trade payments. At the same time, the principle of a uniform rate-of-exchange was adopted, together with the principle of a variable rate-of-exchange. Since there was no currency market, provisions were made to set the rate-of-exchange so that the profitability of 75 to 85 percent of the export to both payments areas would be ensured. In practice, the implementation of these price/rate-of-exchange principles was impossible both because of the weakness of price legislation and the resultant lack of cohesiveness within the system and because of the deep structural determinants of the economy (its inefficiency). The adoption of the concepts of official, regulated and contract prices, combined with the use of a foreign-exchange conversion factor of 50 zlotys per dollar, given the reform of the purchase prices of basic raw and other materials, led to the departure from transaction prices as the price-setting base. Thus, the autonomous nature of domestic prices relative to surrounding prices increased the tendency to maintain the rates-of-exchange already in effect (and thus the existing conversion factors) at an intermediary and not submarginal level. The unprecedented increase in domestic prices, set up universally on a cost-formula basis, made the profitability accounting of export more and more difficult and increased interest in import; this, given the stiffer currency rate-of-exchange, led to the need to use expanded compensatory accounting of foreign trade on a broad scale. In 1982, the operation of such accounting in export was too mechanical and individualized; consequently, it did not force enterprises to reduce prime costs. The dominance of domestic prices in foreign trade clearing-of-accounts had the practical effect of cutting off producers from data on the conditions of foreign trade.

The essence of this type of clearing-of-accounts was this: the supplier of export goods was guaranteed profitability that was no less than in domestic sale. On the other hand, the consignee of imported goods did not pay less than for comparable domestic goods. This was a basic reversal of the concepts included in reform assumptions, with the result that the domestic clearing of foreign trade accounts became very complex and even regressed by comparison with the pre-1982 situation. In particular, there was a reverting from the commission agreement in foreign trade, reducing the scope of the use of transaction prices.

Nevertheless, basing the foreign trade system of clearing accounts upon domestic prices did facilitate the integration of the results of production enterprise activity in 1982. However, the fact that they were lumped together with total export profits was a direct cause of the weakening of incentives for export expansion. It was only at the end of July 1982 that the awards fund of the minister of foreign trade was doubled (putting it at 1.5 billion zlotys). This fund is used to make awards for increasing export and improving export profitability. The basis for paying out the awards was the completion of so-called task agreements concluded between foreign trade enterprises and producers. When the tasks were completed, the payments were distributed independently by production enterprises. Council of Ministers Resolution No 182/82, passed in mid-August 1982 [as published], ushered in income tax reductions on export profits. At the same time, payments out of the workforce profit-sharing fund within the framework of the 20 percent reduction obtained were not subject to the PFAZ [State Vocational Activization Fund] deduction. While we cannot make a conclusive assessment of these incentives after only 6-months time, undoubtedly they have increased the interest of workforces in export. A basic shortcoming of tax relief, introduced at a relatively late date, is the fact that it was not tied in with an improvement in export profitability. At the same time it is not certain whether tax reductions compensated for the negative operation of the sharp tax progression used with regard to the total balance-sheet profit and to the increase in average emoluments. The progressive income tax did not really spur an increase in production, especially highly profitable production, thereby limiting the export potential of enterprises. What's more, by not forcing manufacturers to reduce prime costs, it failed to increase interest in export profitability.

Likewise the other forms of motivating export increases were relatively weak in 1982. For example, the value of the refunding of tariffs and the turnover tax altogether did not exceed 0.5 percent of the value of export. This is a reflection of the minor role of tariffs in particular and also of the turnover tax in our price-setting system.

With regard to foreign trade enterprises, the problem of motivating trade cadres has not been resolved. Incentives for obtaining higher foreign-exchange prices in export and for reducing foreign-exchange import prices were far from enough--the amounts of the bonuses were relatively small and the number of claims was too large. Foreign trade enterprise profit margins and commissions had the character of being monopoly prices, despite the fact that formally speaking, commissions were set by contract with the domestic contractor and the rate of the profit margin was subject to the approval of the Ministry of Foreign Trade.

One arrives at the general conclusion that the system of controlling foreign trade in 1982 did not create strong enough incentives for developing export, nor did it force the economical management of import.

/In the foreign trade organizational sphere/, 1982 solutions were very heterogeneous. The Ministry of Foreign Trade continued to engage in production-task management in 1982. The MHZ [Ministry of Foreign Trade] operational sphere was expanded by placing it over all foreign trade enterprises. However,

a considerable part of the range of issues of economic relations with foreign countries continued to remain outside MHZ control; undoubtedly, this limited the potential for directing this field of the economy in a uniform manner.

The position of foreign trade enterprises remained very vague. Saddling them with the responsibility of conducting compensatory accounting made them function as parabudgets, and imposing on them the burden of financing deferred payments both in export and in import turned them into parabanks. Not only did this affect the normal cost increase, including the increase in foreign-exchange costs, but it also affected commission and profit margin rates. In accordance with the law, in 1982 besides export-import enterprises created by the minister of foreign trade, other organizational units, including other individuals, could conduct foreign trade, after obtaining a license from the minister of foreign trade; however, items of basic importance for the economy were excluded from the scope of the law. In order to obtain a license, the petitioner had to fulfill both quantitative conditions (the value of the direct export of the goods or services produced had to be at least 25 percent of the unit's production or more than 1 billion zlotys per year) and organizational-cadre conditions, guaranteeing the proper servicing of export and import. In accordance with Council of Ministers Law No 112/81, the licenses likewise may be granted to small-scale production units. Thus, despite the fairly arbitrary quantitative conditions outlined in the law, direct access was gained to foreign markets for a broad circle of economic organizational units. In other words, the foreign trade monopoly finally ceased meaning that large, specialized enterprises exclusively would conduct foreign trade and it began to mean that it was necessary for the central authorities to conduct a coordinated trade policy (domestic and foreign) and to control its implementation. In 1982, 49 licenses were granted to corporate bodies (including 13 small-scale socialized units), 61 to private individuals (craftsmen). The minimal interest in conducting foreign trade autonomously, particularly on the part of the state enterprise, attests not only to the level of difficulties to be overcome and to the considerable costs related to such exchange, but primarily to the failure of this solution to correspond to the other elements of the foreign trade management system (above all the principles of price-setting and domestic clearing-of-accounts of foreign trade).

A solution that made the operation of foreign trade enterprises more flexible was to expand the scope of the goods they were authorized to handle and, relatedly, to grant domestic contractors the freedom to choose their trade agent. The possibility of soliciting a license and the easing of the commodity specialization of foreign trade enterprises undoubtedly strengthened the bargaining position of producers (especially large producers), leading to increased domestic competition. Unfortunately, these same solutions led to unfavorable competition for Polish enterprises on foreign markets, both in export and import, which had a negative impact upon prices obtained and paid. While the scale of this phenomenon was not great in 1982, the problem must be resolved, perhaps by introducing the institution of the leading exporter or importer, who would be responsible for price policy in a given market or even by a compulsory association of smaller exporters.

This problem likewise may be solved by transforming foreign trade enterprises into trading companies. This process was initiated at the end of 1982. It can lead to the creation of economically healthy trade enterprises that implement effectively shareholder interest. While the fact that the supervisory organ, the MHZ, was made the major shareholder is undoubtedly a weakness of the system, the new organizational form of foreign trade apparatus can facilitate cooperation of trading agents with producers. In particular, contractual relations may improve between foreign trade and industry. As we have pointed out, the scope of the commission agreement in foreign trade became dangerously restricted--up to 60 percent worth of export was implemented at the expense of foreign trade enterprises. In 1982, many irregularities occurred in the contracts concluded by foreign trade units and export producers; above all there was a noticeable lack of clauses on contractual penalties. New organizational solutions can also revitalize the situation in the field of the economic-financial system of foreign trade enterprises. Much remains to be done here. For example, in 1982 the issue of financing foreign trade enterprise foreign-exchange outlays was not resolved. Foreign-exchange allotments for this purpose were withheld, since it did not seem possible to cover the foreign-exchange costs of contracts from allowances.

Foreign trade enterprise results frequently were fortuitous. This is proved by the tremendous variance in the profitability of these enterprises (from several to more than 1,000 percentage points).

Given the shortcomings of the foreign trade economic-financial system, in assessing our experiences in the sphere of foreign trade organization, it is difficult to determine the impact of both the expansion of the scope of goods enterprises are authorized to handle and the reorganization at the central and executory level on the operation of the foreign trade apparatus. We should point out that the 1982 organizational changes had the effect of ignoring--except for cutting back in cadre personnel--the Polish trade apparatus abroad (companies using Polish capital, BRH [Trade Advisers Bureau], delegations and the like).

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The preceding overview of reform solutions in foreign trade leads to the conclusion that the orders-distribution system continues to dominate this field of the economy. The regulations in effect in foreign trade often were too fragmentary and improvised. This did not foster the development of a permanent proexport orientation for production enterprises. The pressure of payments and import needs relegated the issues of exchange effectiveness and export profitability to the background. Thus, the national economy faces the urgent task of improving export effectiveness, in addition to increasing export and making rational use of import. Progress in the implementation of these three tasks depends not only on the promotion of economic reform in foreign trade, but primarily on the quality, the cohesiveness and the effectiveness of general systems-type solutions.

FOOTNOTES

1. It is characteristic that the entire basic document of envisaged changes in the economic mechanism, the "Directions of Economic Reform," devotes only one thesis (Thesis 80) to foreign trade and mentions it in several others, in discussions of proposed domestic economic solutions.
2. This phenomenon was particularly severe in conjunction with the retaining and then the expansion of the "system" of priorities in the form of production task programs.
3. See "Ekonomika handlu zagranicznego" [The Economics of Foreign Trade], a joint effort edited by J. Soldaczuk, PWE [Polish Economics Publishers], Warsaw 1983.
4. The worth of raw and other materials emanating from central purchases is not considered here.
5. During the second half of 1982, 43 accounts were opened for coproducers, worth over \$3 million, of which less than \$255,000 was used.
6. Separate principles of full foreign-exchange self-financing were in effect in the following enterprisess: tourist, those exporting cultural goods and services, those exporting construction and complete installations and internal export.

Development of Exports

Warsaw NOWE DROGI in Polish No 4, Apr 83 pp 125-136

[Article by Zygmunt Kossut; material enclosed in slantlines printed in italics]

[Text] The economic reform that took effect on 1 January 1982 had the goal of creating and putting into practice those operational principles and mechanisms that would be highly effective economically for society. The reform in the foreign trade sphere is to foster the implementation of this basic end. The essence of foreign trade effectiveness is the profit gained from foreign exchange. Thus far these profits are not significant; they have little impact on the volume and structure of the national income.

There are many reasons for this, the most important being problems related to the monies needed to import raw materials, spare parts formachinery and equipment and other components indispensable for commodity production, including those items designated for export. We must untie the Gordian knot if we are to bring ourselves out of our present situation.

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Unless we increase considerably our import of the producer goods indispensable for routine production, we cannot make any significant increase in export, without which in turn we cannot import indispensable production components.

While the attempt to resolve this complex problem through foreign-exchange allowances [ROD's] granted to exporters is generally assessed positively, its scale is insufficient. Moreover, the increase in the scale (amount) of ROD's is very limited (if at all possible) due to the repayment amount of Poland's foreign debts. The balance of payments is putting a strait-jacket on the economy. It seems impossible for us to pull out rapidly from the economic crisis without a significant deferral of interest payments and credit servicing costs. It is also essential that we solve this problem from the viewpoint of long-term changes in the economy, in particular the purchase of new technologies. The lengthy period during which we have not procured new technologies will increase the technological gap between Poland and highly developed countries, causing in turn a reduction in the competitiveness of goods produced by Polish manufacturers. This refers particularly to highly processed goods. Unless we reduce systematically the technological gap, the only way we can compete on foreign markets is through price assistance--and this refers only to the markets of less economically developed countries. However, it is neither appropriate nor realistic for us to count on our own resources exclusively, or even primarily, to make the rapid technological progress we need.

Our creditors, however, are not resolving this problem to our satisfaction. The worst offenders are the governments of highly developed capitalist countries. As Finance Minister Stanislaw Nieckarz asserted before the Sejm on 3 December 1982, they are continuing their credit embargo against Poland. The Vienna agreement on unguaranteed Polish payments coming due in 1982 stipulates that of the \$2.4 billion in principal payments, 95 percent of the payments is deferred for 8 years with a 4-year waiting period and the other 5 percent is to be repaid in 1983. Likewise a method of installment repayment of the \$1.1 billion in interest due in 1982 was approved. (Western banks have agreed to make available to Poland in the form of short-term transaction credit half of every interest installment paid).

While this Vienna agreement concluded at the beginning of November 1982 was obviously a partial step forward toward resolving Poland's foreign credit repayments, negotiations between private Western banks and Poland concerning the deferral of Poland's payment obligations coming due during the following years are just ahead; we must wait for their results. The credit embargo imposed against Poland by the governments of highly developed capitalist countries that was spoken of previously still continues indefinitely.

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The development of export is considered to be one of the basic priorities of Poland's economic development. It must be stressed, however, that thus far, exporter incentives have not been effective enough, in particular the incentives accorded by reform principles, i.e., economic incentives. In other words, the so-called producer's (seller's) market, as it is popularly termed, must become more competitive in Poland. Often it does not pay producers to export. They prefer to sell on the domestic market, which is less demanding in terms of product quality and delivery deadlines and continuity.

The incentives discussed previously may be divided into two types: short-term and long-term. The first type grants priority to raw materials procurement and to the procurement of machinery and equipment replacement parts and other components indispensable for routine export production. This keeps the factories running or allows them to expand their production capacity to a degree that would not be possible if this priority were not granted. This obviously benefits factories by allowing them to hire the number of additional employees they need. Such incentives, however, are not enough for producers to increase export. Employees working in the foreign trade sphere, broadly conceived (production, trade and trade-related services), lack clear-cut material privileges. Such is the case not only with regard to the producers of finished products, but also with coproduction factories. Good will alone and incentives of a morale-lifting nature cannot be the essence of the export development priority: it must be reflected above all in material incentives for workers in export. Emoluments and bonuses must be tied in directly with export volume; workers must be able to see the direct link between their earnings and work results. The current practice of making emoluments and bonuses contingent upon profits does not motivate an export increase, at least for employees that do not serve in management capacities in enterprises. I shall discuss this problem further on in this article.

Long-term incentives are above all the right to receipt of sufficient investment funding. As is known, enterprises have the right to create a development fund from profits to be divided. This fund is not obligatory, however, and there is the fear that enterprises, their management and their workforce may not find the creation of this fund in the proper amount important enough, especially since increasing it diminishes automatically the possibility of increasing the workforce bonus fund. The established principles of profit distribution do not guarantee that enterprises will create a development fund in the amount that is indispensable for financing new investments.

In this regard the following question arises: Would it not be better to establish a certain minimal, obligatory level of the allowance of part of the profit for the development fund? From the viewpoint of promoting export, granting it priority status, as is discussed in the economic reform principles, means setting up specific investment priorities for export production in state investment policy. Over the short term, this policy may be conducted by means of a suitable bank credit policy; over the long term, however, it may be conducted by means of a suitable policy in the area of financing central investments out of central budgetary funds. Supplying enterprises with the needed foreign currency for investment purposes would be of prime importance in this policy. This refers both to the currencies of socialist countries and to the currencies of capitalist countries, including convertible currencies. To date we lack systems-type solutions in this area; for the most part, administrative methods are used here.

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In analyzing the question of export development priority, we likewise must turn our attention to the differences between the countries of the first and second payments areas. The countries belonging to the first payments

area [socialist countries], primarily including CEMA countries, are governed by different principles in the foreign trade area than those used in countries that belong to the second payments area [capitalist countries]. The former conclude long-term agreements and make annual plans with each other that are largely obligatory; there is no freedom to implement these plans after they are signed. On the other hand, agreements between the countries of the second payments area, or between countries of this area and first payments area countries merely outline the general principles of cooperation, while specific cooperative ventures are set down in concrete contracts made by specific enterprises. In the implementation of CEMA contracts, the "General Conditions for Deliveries," largely obligatory conditions that emanate directly from annual plans or long-term agreements, are binding. Partners from the second payments area conclude with each other and with first payments area partners, including with their CEMA partners, agreements based on principles that apply only in the given case, based for example on the "Incoterms" trade formulas.

These two different principles for cooperation between first and second payments area partners mean that the role of Polish enterprises taking part in foreign trade with the countries of these payments areas varies. In trade with enterprises belonging to the first payments area, Polish enterprise operations are much more restrictive. Perhaps these restrictions are only apparent ones, however, since the advance preparation of the contents of these plans and contracts so that they would suit the interests of Poland and Polish enterprises lies in the interests of Poland as a country making these plans and agreements. In other words, plans and agreements should be based (and by and large already are based) on the appropriate consultations between the Polish authorities and Polish enterprises that operate in the foreign trade sphere. Such consultations ought to be conducted early enough--well before the plans and agreements are signed. These plans and agreements may be binding for Polish enterprises only given the condition that Polish authorities honor the reform principle of export profitability for enterprises. This means that Polish authorities act as a buffer for enterprises in the event that Polish regulations on enterprises differ from the regulations binding the Polish side in trade with first payments area countries (primarily CEMA countries). According to these regulations, for example, thus far ROD's are not created for exporters selling their goods to first payments area countries. Here Polish authorities should enable Polish enterprises to make use of such ROD's, by making planning with CEMA countries more flexible in this area.

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The difference between the domestic market of first payments area countries and second payments area countries complicates Polish foreign trade policy as it affects Polish enterprises as autonomous, self-governing and self-financing basic economic units. Given the lack of convertibility of the zloty, this policy is especially complex; it lacks a single point of reference common to all markets. The creation of the export development priority could be expressed through relatively higher emoluments and bonuses for workers employed in export goods and services production (and in foreign trade as well) than

the emoluments and bonuses received by employees that work in the production of other goods and services that are not priorities in national economic development. Thus far, export does not enjoy such privileges. Likewise, a clearcut policy is lacking in the area of the division of export into export based on convertible currencies and export based on nonconvertible currencies. The only real incentive for exporting to second payments area countries is the potential for ROD's designated for the purchase of the working capital indispensable for routine production.

Long-term trade policy has not yet assumed clear forms. Economically valid principles are lacking for granting export-related (or export-import-related) investment credit; such principles are also lacking for the financing of export-related investments out of the central budget (central investments).

Similarly, policy in the area of foreign currency exchange-rates engenders many reservations. The first of these arose in 1981, when new producer prices were established for basic raw and other materials using a currency exchange rate of 50 zlotys per dollar, while at the same time the rate of the dollar in zlotys was set at 80 zlotys per dollar. This decision is still questioned in that it leads to the unwarranted relative cheapness of imported raw and other materials.

The second reservation relates to the too low level of foreign currency exchange rates. On 1 January 1982, this level took the following shape: the exchange rate of the dollar was 80 zlotys, while the exchange rate of 1 transferrable ruble for trade payments was 68 zlotys. Thus it was assumed that the level of foreign currency exchange rates ought to guarantee the profitability of export production for approximately 80 percent of the deliveries of processed products as well as all raw and other materials deliveries. As it is now generally known, this reservation was valid and a significantly smaller percentage of deliveries of processed products ensures the profitability of export production. The reason for this is most likely a further increase in the exchange rate of the dollar and other foreign currencies. Relatedly, the rate of exchange of the transferrable ruble is constant, while the rate of the dollar is changed systematically, in a fairly arbitrary manner compared with the real change in the value of the zloty. For example, on 3 January 1983, the average rate of exchange of the dollar was 85.19 zlotys. Adopting a rate of exchange of 80 zlotys per dollar and the method of increasing this rate were arbitrary solutions that did not guarantee the achievement of the intended goal, i.e., ensuring the export production profitability discussed previously.

Compensatory accounting is used as a corrective for this rate of exchange (as well as for the rates of exchange of other currencies). The minister of foreign trade is authorized to conduct this accounting procedure. It should be stressed, however, that this accounting procedure does not lead to increased export effectiveness, but is rather its contrary. Such accounting compensates enterprise income, raising it to a level that emanates from a cost formula according to which the selling price is equal to production costs plus a specific profit surcharge. In this way, in foreign as in domestic trade, the effectiveness criterion is not of fundamental importance for export, since it cannot be so. This emanates primarily from the difficulty of establishing a full

accounting of production costs, including export production costs. This situation is caused by many factors, including: a different currency rate of exchange used for raw and other material input for production by comparison with the rate used in the sale of export goods, in many cases the lack of revaluation of fixed assets following the producer price change on 1 January 1982, the calculating in production costs the amortization of unused production capacity and the incomplete use of employees, emanating partly from raw materials shortages for production and causing production stoppages; finally, the use of workers for only up to part of their production potential. These weaknesses in making a full account of production costs leaves the entire accounting of export effectiveness hanging in mid-air, to some extent. The question arises: How are we to exit from this vicious circle?

The following are of the most vital significance here: the proper level of trade exchange rates of exchange in turnovers with particular [payments] areas, the scope of their price-setting functions and, as long as purchase prices are dependent on the preferences of particular producers and do not run at a level that reflects properly the rarity of their occurrence, the scope of making profit on export.*

How and for what period to implement these principles, and in particular, how and when to create domestic purchasing prices based on transaction prices obtained in foreign exchange is a matter to be discussed. The question is whether this ought to be a one-time decision or whether it ought to be a definite process, and if so, how long a process.

It seems that a one-time decision is impossible for general, socioeconomic and political reasons. Nonetheless, a concrete plan of action is needed that has the purpose of arriving at the principles defined above of the indirect control of foreign exchange and the entire economy outlining what should be done and when, to achieve this end in the shortest time possible.

And so, to date export effectiveness has not been worked on enough from a theoretical viewpoint. The financial index (applied only for current export effectiveness) is based on very weak principles. A solution to this problem has not yet been found. It seems that the one proper index of the effectiveness of export to the second payments area is net foreign exchange profit, although it is very difficult to use such an index, particularly with regard to serial production (executed in more than one production plant). It is also very difficult to calculate export effectiveness to countries that have nonconvertible currencies. Thus, it seems that it will only become possible to calculate export effectiveness properly when the zloty becomes convertible.

*See "Kierunki reformy gospodarczej w sferze handle zagranicznego" [The Directions of Economic Reform in the Foreign Trade Sphere] (a report prepared by the Eighth Group, Commission for Economic Reform Affairs, edited by Docent Dr Habilitatus Urszula Klowiec), HANDEL ZAGRANICZNY, No 10-12, 1981, pp 7-8.

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The report prepared by the Eighth Group of the Commission for Economic Reform Affairs notes the need to break down the barrier of the anti-export attitude of Polish society. This is a question of great importance, that is still not accorded the proper attention in the mass media, the press, radio and television. For example, pro-export propaganda could make use of decisions made in the area of granting licenses to conduct foreign trade, decisions to grant enterprises the right to ROD's, the benefits to be reaped from foreign markets in terms of the quality and the variety of goods and the efficient operation of competitors, and above all it could demonstrate the link between the export and import of goods and services and the resultant potential for stepping up development. The individual benefits for particular workers and groups of workers emanating from export--both material and non-material--should also be noted.

In the organizational structures area, at least two issues require further discussion. The first issue is to create for production enterprises and other enterprises the possibility of choosing an exporter and importer, as well as choosing the kind of formal-legal ties with them. The traditional approach still dominates; there is still the overly idealistic fantasy concerning the advantages to be gained from a hard and fast goods assortment structure between particular exporters and importers rather than an approach based simply on cost effective analysis and on the need to bring into foreign trade enterprises a certain amount of competition.

The second issue is the nature of the Polish Chamber of Foreign Trade [PIHZ]. The report of the Eighth Group of the Commission for Economic Reform Affairs notes that the PIHZ ought to represent the interests of enterprises and their associations to the central and local authorities and to other economic units. This idea was confirmed by a resolution passed by the Regular General Meeting of the Chamber that was held on 21 October 1982. Thus we may presume that new laws and other decisions of a legal character will move in this direction.

In the planning area a principle has been adopted that lends a strategic function to the central trade plan, specifying its level and goods and geographical structure and ushers in autonomous enterprise planning. The Eighth Group of the Commission for Economic Reform Affairs report states: /"The concurrence of the central foreign trade plan with the sumtotal of autonomous enterprise plans is guaranteed as a result of the impact upon producers, exporters and importers of the levers of indirect control (foreign currency exchange rates, prices, subsidies, compensations, tariffs and other debits) as well as the impact of direct trade policy methods (export and import licenses, customs quotas) that are administered exclusively by the minister of foreign trade."* The report states that:

*Ibid., p 7.

1) /"Trade turnovers with CEMA countries and other socialist countries will be conducted in accordance with the bilateral or multilateral agreements that have been made and procedures that have been adopted"/ and

2) /"In free foreign exchange trade, the ultimate solution will be the purchase of foreign exchange by banks from producers-exporters according to the rates currently in effect and their unrestricted sale to domestic customers."/

Several points may be made in conjunction with these planning principles. First, a sufficiently effective system of tying in central foreign trade planning with the sumtotal of autonomous enterprises plans has not yet been developed. The concurrence previously spoken of ought to be thought of as a tendency, a direction of action rather than absolute concurrence, which would be unrealistic. On the other hand, diminishing the differences between the central plan and enterprise plans may be done, it would seem, by central level planning not only on the goods and geographical planes, but also on the organizational unit [plant and equipment] plane, encompassing the greatest possible number of exporting and importing enterprises--above all, major exporters and importers. In practice this should lead to joint consultation with major exporters and importers in the making of MHZ [Ministry of Foreign Trade] and enterprise plans. While such consultations will not have an obligatory character for either side, they can help to make central plans and the plans of particular enterprises more realistic. This concerns both trade turnovers with CEMA countries and other socialist countries and free foreign exchange turnovers.

Some mention was already made of this in the discussion of the various types of markets: domestic, the first payments area countries and the second payments area countries. The second point linked with the previously mentioned planning principles refers to turnovers with CEMA countries and other socialist countries. The reference made to agreements and procedures indicates their obligatory nature (bilaterally or multilaterally adopted agreements and procedures are always honored, and not merely in the case of socialist countries; that is why they are concluded or adopted). It should be noted, however, that all socialist countries aim toward increasing planning flexibility, to a lesser or greater extent. The proof of this lies in the free foreign exchange turnovers between these countries. Thus, as stated above, the central Polish authorities must make use of this planning flexibility and increase it actively--through the appropriate bi- or multilateral contracts--in order to make central foreign trade plans more realistic. This direction of action emanates from Polish legal regulations, and particularly from the law on state enterprises.

The third point related to basic planning principles concerns the purchase of foreign exchange by banks from exporters at the current rate of exchange and the unrestricted sale of this foreign exchange to domestic customers. This notion is of a long-term nature and as such currently has a very limited operational scope (and this applies only to the first part of the point). Nonetheless, it is an idea in accordance with the general principles of economic reform initiated in Poland on 1 January 1982. Its full implementation depends above all on the way that the repayment of foreign debt interest and servicing costs is handled, as discussed previously.

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In the discussion of the principles of the indirect control of foreign trade and their impact upon enterprises,* in addition to the questions that have already been analyzed, the report of the Eighth Group of the Commission for Economic Reform Affairs treats the issue of incentives for the development of export and for the improvement of export profitability. These incentives are examined in reference to two periods: the period of arriving at a rational national debt and the period in which a rational debt has already been achieved. During the first period, the /"use of strong incentives for export development and for improving its profitability"/** is stipulated, while during the second period, weaker incentives are recommended that are, however, contingent upon the level of saturation of the domestic market. For both periods, these incentives ought to be aimed at the producers of finished products, their coproducers and exporters, as well as at their workforces; they should be contingent largely upon the profit attained in export. The report also states that: /"The principles of the distribution of the workforce profit-sharing fund are an internal production enterprise matter (for the enterprise producing the finished product--Z[ygmunt] K[ossut]); at the same time, it is advisable to authorize the producer (of finished products--Z.K.) to allocate a part of this fund to coproducers, exporters, planners and possibly other enterprises that clearly help to bring about the implementation of export."/

As has been pointed out, the report addresses the need for the existence of a fund to promote export that is administered by the foreign trade minister and is designated to bolster activities to activate export.

There are various points to be made on the subject of incentives. First, at the present time, "strong incentives" are lacking for the development of export and for improving export profitability. One is reminded here of the saying, "Penny wise--pound foolish," where it does not pay for enterprises or their workforces to work more intensively and more efficiently given the tremendous scarcity of goods on the domestic market, and export production demands such more intensive and effective work. Second, the producer of finished products does not have the freedom to designate part of his profits for enterprises that clearly help to bring about the implementation of export. Moreover, there is the question of whether he would want to make use of this freedom, given the current conditions of worker emoluments and bonuses in his own enterprise.

It would seem that these incentives that include incentives for coproducers, exporters and other enterprises that operate in the foreign trade sphere ought to be linked directly to their work results and, in the case of workers, payment should be made out of the funds of the enterprises in which they work, perhaps with supplemental aid from the fund for export promotion administered by the foreign trade minister.

*Ibid., pp 7-10.

**Ibid., p 10.

Third, there is the question of whether such privileges accorded workers and enterprises linked with export is justified. The answer is yes, since export is considered an important priority in Polish economic development. Given the nonconvertibility of the zloty, there are no other effective methods to use to impact successfully upon stepping up the export increase. Moreover, intensifying export is necessarily linked directly to stepping up the development of the entire national economy.

The final section of the report of the Eighth Group of the Commission for Economic Reform Affairs discusses the operational principles of foreign trade enterprises and their economic and legal-organizational ties with domestic contractors. These principles have been incorporated into the law on state enterprises. Foreign trade enterprises are economic units that operate according to a full external self-financing system and whose primary product is the export or import (or the export and import) of goods and services. In addition to the subjects already discussed (e.g., the right of production enterprises and other enterprises, organizations and institutions to choose an exporter and importer), we should note the excessive organizational separation of these enterprises from their domestic contractors (suppliers and consignees). The process of integrating these enterprises with the producers and other units of the national economy on whose behalf foreign trade enterprises perform their trade services is still too slow.

Obviously, this concerns the various foreign trade enterprises in varying degrees. An analysis of the export question, however, shows that the most important field is the production of goods and services, while the foreign trade enterprise is merely an appendage. While it is a very vital link in the entire export process, it is a link that is secondary to the most important link, i.e., the manufacturer of goods for export. There is no export without production. This obvious truth is brought up here not to diminish the role played by foreign trade enterprises in Polish foreign trade, but to point out that the foreign trade minister does not exert enough influence upon export-related production activity, upon the work of the manufacturers of products designated for export. This emanates from the continued use of the traditional division of powers between the foreign trade minister on the one hand and the ministers of production-related industries on the other. Foreign trade is neither a sector nor a subsector of the national economy. Foreign trade is an operation of this economy. This operation, this activity, this work relates to many sectors and subsectors of the national economy. Thus comprehended, foreign trade enables increased operational effectiveness. This emanates from the phenomenon of cooperative action known as synergy, a phenomenon that produces the "2+2=5 effect, or the synergistic effect."

The treatment of foreign trade as a function of the national economy, and not as a subsector of this economy is becoming understood better and better by economists. It is a question of great importance that deserves to be treated in much more depth theoretically; equally importantly, it should be recognized as the proper road on which to steer the national economy. In practice this means the proper relationship between the MHZ and the other functional and branch (subsector) ministries. Foreign trade penetrates

the entire economy; there must be only one trade policy (foreign trade policy) carried out by only one economic center, both at home and abroad. Every other solution is contrary to the nature of foreign trade. Thus, the result of considering foreign trade as a function of the national economy ought to be the proper organizational shape of this trade, domestically and abroad.

Before summarizing the points discussed in this study, I should like to conclude by commenting upon the following question that is currently being asked: What is to be the connection between foreign trade and Poland's economic relations with foreign countries, who is to coordinate these two operational groups in practice, how are Poland's economic relations with foreign countries to be used for foreign trade development in order to achieve the synergistic effect in this field? The theoretical answer is simple: both of these operations ought to be treated as a combined unit. That is how they were treated in the report of the Eighth Group of the Commission for Economic Reform Affairs. That is likewise how this question was translated into practical language--through the creation of the Department of International Organizations in the MHZ whose work is directed toward the needs of foreign trade. This should lead to an increase in the social effectiveness of foreign trade and thereby, to some degree, to an increase in the social effectiveness of the management of the entire national economy.

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As we summarize this article, we should keep in mind its purpose: to compare economic reform plans in the foreign trade sphere with the current state of operations. In particular, the article demonstrates the factors that prevent the efficient operation of such trade, how to make improvements and what to do to make export development one of the basic priorities of Polish economic development. The point of departure for these considerations is the resolution of the foreign debt trap into which Poland has fallen. Unless this question is resolved, i.e., unless the repayment of foreign debts and servicing costs is deferred for a considerable length of time, it will be impossible for us to make export one of the most important vehicles for drawing Poland out of its economic crisis. The credit refinancing method used to date, at the current rate of repayment of the interest due, puts off our emergence from the crisis for a long time. It causes a shortage of funds for the purchase of raw and other materials as well as the other indispensable components for routine production and for investments, especially those requiring outlays in the form of convertible currencies. Thus, resolving Poland's debt liabilities is an indispensable condition for its speedy emergence from the crisis. The other questions discussed in the article are of an internal, domestic nature and are thus simpler to solve.

There are three other questions that have not yet been discussed to be considered. The first is the adoption of the principle: *primum non nocere*--not to do damage above all. This means not causing harm, for example, by making constant changes in the rules of acting of central economic authorities with regard to enterprises; it means not causing harm through the very detailed regulating of the principles of enterprise actions; it means not causing harm mutually by failing to respect public property, and not hurting export by treating

it as a necessary evil and not as one of the basic elements hastening Poland's deliverance from the crisis.

The second question is the adoption of the principle: *primum vivere, deinde philosophari*--first live, then philosophize. That is, we first must find a practical solution to our problems and not hold to the traditional, dogmatic solutions. This concerns, e.g., recognizing the administrative principles of enterprise control as more effective than economic methods, including in the area of foreign trade, and within this framework, the belief that enterprises can be forced effectively to export by means of orders. We must create operating conditions for enterprises that move them to export as much as possible.

The third question concerns foreign trade cadres, i.e., MHZ employees and the employees of other central organizations linked with this sphere of activity, as well as the employees of foreign trade enterprises and other enterprises that have the right to conduct foreign trade, and enterprises engaged in export production as well as importing enterprises. Even the best reform concept will be a paper tiger if it is not put into practice properly. This in turn depends upon the cadre, particularly upon the management cadre in institutions, organizations and enterprises. Under the current Polish foreign trade situation, employees, especially those performing management functions, should be chosen for their ability and desire to implement basic economic reform principles. They should be highly qualified and ideologically committed in the foreign trade area, both at home and abroad. They should guarantee the implementation of the reform, in both its economic content and socialist form. The training and upgrading of the cadre meeting these requirements in the foreign trade sphere should be an ongoing process and not a one-time campaign. The success of the reform largely depends on this.

Economic Reform Official's Commentary

Warsaw ZYCIE WARSZAWY in Polish 7-8 May 83 pp 1,3

[Interview with Stanislaw Dlugosz, chairman of the Group for Foreign Trade Affairs of the Commission for Economic Reform Affairs by Henryk Chadzynski; date and place of interview not given]

[Text] Interest in foreign trade issues has increased of late, both due to the role played by export income in supplying the economy with imported producer goods, which makes possible the use of production potential and due to the reform, which was to create in this field circumstances fostering an increase in export. The ZYCIE WARSZAWY article entitled "Foreign Trade Reform--Both Sides of the Coin" expressed the reservations held by enterprises that believe that the reform is being hampered, complicating export activation. On the day the article was published, its author was received by Foreign Trade Minister Tadeusz Nestorowicz and Vice Minister of Foreign Trade Ryszard Strzelecki. They presented the viewpoint of the ministry that, out of state interest, is obliged to regulate turnovers and the shape of the trade balance according to plan. This may lead to

direct conflict between enterprise and national economic interests. In the opinion of the ministry officials, regulatory actions lead to accusations of the violation of reform principles and interference in the internal rights of enterprises.

Today we are speaking on this subject with the deputy chairman of the Planning Commission, Minister Stanislaw Dlugosz, who also leads the group that is concerned with foreign trade affairs in the Commission for Economic Reform Affairs.

[Question] Mr Minister, let me begin with a general problem. For obvious reasons, the three-year plan passed recently by the Sejm projects a more rapid rate of growth of export than of the national income and production. This demands debt servicing and the need to acquire foreign exchange for indispensable producer goods import. But we must also take into consideration the negative consequences of this as an inflationary element. What is the scale of this phenomenon?

[Answer] The plan envisages that in trade with capitalist countries in 1983, our positive balance will exceed \$1 billion. Converted into zlotys, this is 87 billion zlotys, or about 10 percent of our current investment outlays. This sum clearly increases inflation, since export is financed in zlotys in Poland. Moreover, since revenues from this source are earmarked for debt servicing, the stream of incoming goods does not equal outlays. However, it should be noted that this inflationary impact of the positive turnover balance with capitalist countries is moderated by 30 percent to 40 percent, due to the credit obtained in several socialist countries, above all the USSR. It appears that this aspect of Soviet assistance is not reported enough.

[Question] How does this situation impact on the need to steer trade processes from the viewpoint of external and internal stability?

[Answer] The very complex situation forces us to use different approaches in our aim to increase export maximally. We use one approach with socialist states and another with countries of the so-called second payments area [capitalist countries], where the convertibility of currencies determines the current make-up of import-export relations. With regard to socialist states, we are dealing with a higher, long-term, planned form of the structure of international economic relations. They are regulated by long-term agreements, within whose framework yearly trade plans are worked out. Every such agreement and supplementary plan represents the sumtotal of duties and rights, and thus the mutual services and benefits between partners. At the same time, these are equated by governmental agreement and are taken into account in each country's plans. Thus, export volumes and structure correspond to a specific import volume and structure.

Obviously, given the current world trade situation and the sanctions imposed by capitalist countries, the socialist states will attempt to strengthen their mutual ties and make themselves independent of the negative effects of trade with the West. In the course of implementation of the agreements, based on the bilateral understanding that has been concluded, every country tries to regulate the course of economic cooperation so that the benefits

and services stipulated in the agreements are provided consistently through the entire year. It should be pointed out that most of the socialist countries with whom we cooperate have excellent direct and indirect levers of regulating economic cooperation and in many cases we can learn from them.

[Question] In other words, a running account and control should be kept of the mutual flow of goods.

[Answer] It is known that in real life not everything goes as it is anticipated in yearly protocol agreements. Moreover, one has no one but himself to blame if a partner that has the duty of being a wise buyer is concerned about his own interests. This is expressed, for example, in difficult price negotiations as well as in spacing out deliveries so that the maximum profit is obtained. If on capitalist markets, for example, the price of a given item skyrockets, partners are interested temporarily in sending shipments to these markets first and then in fulfilling their obligations to socialist countries. And so, if we consider all of these factors, it becomes clear that in both our internal and external situation, in the interest of the nation, our basic task is to be consistent in fulfilling our export and import obligations, as stipulated by the agreements, and to seek various planes for stepping up turnovers and economic cooperation without violating the mutual parity of services that has been established in these agreements.

[Question] In practice, however, such a situation understandably may cause conflict between the operation of enterprises interested in increasing export and the general interests of society. However, must it lead to actions that are considered to be violations of the reform?

[Answer] One of the reform elements that has not been explained fully and thus has not been resolved completely is the question of how indispensable state supervision in the field of international economic cooperation is to be exercised amid the awesome presence of the three "S's" [autonomy, self-government, self-financing]. And there is no question but what the state represents the general interest of society in this case.

[Question] There are, however, special situation when the central authorities must take into account the just rights of enterprises, particularly when there is the possibility of profiting from trade that is not part of the plan. Does this have to be a matter of direct conflict?

[Answer] There will be such cases; economic practice cannot be regulated totally by hard and fast rules. An example you pointed out in your article is that of the export of jars in exchange for indispensable deliveries of materials for glassworks. There should be the general application of the principle that an enterprise that is trying to export in excess of the agreed-upon quota likewise must create or cooperate in creating a possibility for importing in excess of the volume contracted-for mutually in state agreements. Excessive development of one-directional export would intensify current inflationary trends. Such export activity will be indispensable in the future, when the time will come for us to repay the credit we have obtained on favorable terms from socialist countries, particularly the USSR. At present we wish

to make use of this credit, and export, which would lead to a reduction in this credit assistance, would weaken the operation of the anti-inflation program.

[Question] Must the regulatory role of the MHZ [Ministry of Foreign Trade] assume the form here of a ban and cause conflict with enterprise interests?

[Answers] We are not unique in using methods of the central control of economic cooperation with foreign countries. These methods are known and used both in socialist and capitalist countries. Characteristically, countries with the largest market economies make very extensive use of such levers as export and import quotas, import licenses and export licenses.

[Question] That is not the only field of controversy however. Of late much attention has been accorded clearing-of-accounts issues and financial questions in general, as well as organizational matters, including some liberalization ushered in by the reform, for example in the concluding of contracts between producers and exporters. Why the sudden laxity?

[Answer] There are some reform fields that arouse controversy, and some that are approved of. Issues demanding further work include the very fundamental questions of the price system, balancing of accounts and rate-of-exchange policy. The views expressed on these issues at the meeting of the Eighth Group of the Commission for Reform Affairs that I head were even totally at odds with each other. Thus, it will be difficult to arrive at solutions that will please everyone, especially since these are crucial problems for the entire economy and not for foreign trade alone. Another field includes certain spheres where what has been put into practice has not yet fulfilled hopes. For example, concessions granted to enterprises to carry on foreign trade. At the present time, market conditions are such that only a qualified apparatus can cope with the situation; thus, many plants simply do not wish to make use of their authorizations to conduct trade. Another example, mentioned in the ZYCIE WARSZAWY article, concerns the freedom of a producer to select a foreign trade enterprise, or the freedom to choose forms of cooperation, e.g., at his own expense or on commission. I believe that the adherents of restrictive tendencies--and there are such people--continue incorrectly to identify a state monopoly in the field of foreign trade with a monopoly of a particular enterprise. There is no justifying the return to old practices. On the other hand, positive reform solutions are generally accepted, e.g., ROD's on export income, currently recognized as one of the most effective levers for spurring activity, although they were still criticized in 1981. Today we are considering how to tie in these ROD's successfully with export effectiveness and how to use them successfully in exchange with socialist countries, not so much to maximize trade as to increase its effectiveness. Another new form that is gaining acceptance slowly is bidding to purchase foreign exchange. Thus far it appears that there are too few interested parties. Enterprises either are unable or do not wish to make use of the funds at their disposal in this form, although they continue to petition the central treasury for foreign exchange funds.

[Question] In closing, may we request a general conclusion on the topic of implementing the reform in the foreign trade sphere?

[Answer] As throughout the economy, also in this sphere, the reform is a process. I see that there are still many problems, but I am far from being critical of everything, as are some critics in certain academic milieus. These people fail to see either the difficult circumstances or the practical results of the year 1982; nor are they aware of the fundamentally pro-export concept of the 1983-1985 plan. Without regard for life's realities, they would like to put into practice certain "classic" formulas and solutions that are, perhaps, in compliance with a certain ideal model but are currently impossible to implement. Throughout the economy we see temporary solutions stipulated in reform assumptions. We must take into account both the fact of our enormous debt, the tremendous disproportions, the failure to make use of production potential and the hostile external environment of capitalist states. Taken together, these factors force very strict state control upon us, above all the strict control of funds for import, just as they force the state control of materials management in general, in order to give priority treatment to ensuring the implementation of basic social ends.

We must also take into consideration the fact that the reform is a continuous process, and not a one-time campaign. On the other hand, we cannot follow the routines and some of the habits that developed under the old system of management. It is known that the work of people makes up great processes. Today as never before, people working in the foreign trade sphere, regardless of whether they are in enterprises or in the central administration, must distinguish themselves under reform conditions by thorough knowledge, initiative and a sense of responsibility for the effects of their actions. Thus, the reform requires both the necessary qualifications and initiatives, but also the discretion and skill to think independently. The attempts to interfere in the internal affairs of enterprises are just as dangerous as the very frequent attempts of enterprises to gain as many reductions and preferences as possible for their activity.

[Interviewer] Thank you for the interview.

8536

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NEED TO INCREASE PRODUCTION OF NATURAL GASES

Bucharest REVISTA ECONOMICA in Romanian No 22, 3 Jun 83 pp 6, 8

[Article by Nicolae Blaga: "Increasing the Production of Natural Gases - A Priority Objective"]

[Text] Supplying production with the necessary amounts of raw materials, materials, fuels and energy constitutes a vital problem. Among these resources, natural gases hold a special place. For the Romanian economy and in connection with satisfying the requirements of users regarding natural gases, there especially are two problems. The first is increasing production from old, known wells and the discovery of new similar resources, while the second one is the better use of natural gases, especially in the chemical industry, and the considerable reduction of their percentage as a primary source of energy. In this context, in our country a strategy having a broad perspective was adopted in connection with the rational administration and conservation of natural gases, as well as other raw materials and energy resources throughout the entire chain - extraction, transportation and distribution. "We must understand," stressed the secretary general of the party, comrade Nicolae Ceausescu, "that the reduction of the consumption of energy and fuels constitutes one of the essential problems in economic activities. Only in this way is it possible to ensure the growth of economic efficiency; only in this way are Romanian products competitive, both from a technical point of view and an economic one, on the international scene."

In accordance with the requirements of the national economy, by the end of 1985 the production of natural gases will be approximately 10 billion cubic meters [cm] greater than the initial goal in the five year plan. The measures to improve the organization of activities that were adopted several months ago are designed to make an important contribution to the achievement of this objective.

The new organizational structure gives special importance to the basic units - the production brigades, which have a decisive role in the regular achievement of plan tasks. This structure ensures, on one hand, the elimination of certain intermediary organizational levels and, on the other hand, bringing management activities closer to the direct production process, in the sense that an important number of specialized personnel were moved to direct production activities.

The new organizational structure of the Medias Natural Gas Central more judiciously establishes the area of activities of the former drilling and extraction enterprises,

which includes two drilling fields and three production fields with headquarters at Medias, Tirgu Mures and Ploiesti, with each of these having three brigades and the brigades each having five or six drilling rigs. Through the merger of the equipment repair section and the base at Danes with the Medias Natural Gas Vehicle Base, the result was the Base for Tubular Materials Repairs, Equipment and Transportation, headquartered in Medias, which will serve both the drilling fields and the production fields, as well as the units in the central through its branches in all the counties. At the same time, within the Brasov Enterprise for Major Pipeline Assembly there was created a Yard for the Construction of Roads that are needed for drilling wells and exploiting gas-bearing structures.

In the new structure, the Natural Gas Mechanical Plant became an enterprise having the status of a legal entity. As a result, the Natural Gas Central, having become an independent unit not attached to any of the 18 enterprises subordinate to it, can exercise its attributes under better conditions. The headquarters of the drilling and production brigades were moved to the center of the areas of activity in those localities that have the technical facilities and the appropriate administrative-management facilities.

Through the new organizational structure there is also an increase in the safety of operating the gas equipment, both in drilling activities and in production. Under the new conditions, the area of activity of a brigade was reduced by over three times compared with the old production sections. Now, there can be an appropriate technical assistance provided at all work areas and on all shifts, which permits an increase in the coefficient of production in the entire gas system.

All these organizational measures provide conditions favorable to carrying out all drilling and production activities under better conditions and to regularly achieving plan tasks.

Both in 1982 and during the first part of this year, the units subordinate to the Natural Gas Central in Medias achieved and overfulfilled their plan tasks. For the first 4 months of 1983, for example, the goods production plan for the overall central was exceeded by 3.6 percent, with the greatest achievements being recorded within the Medias Natural Gas Production Enterprise and at the Major Pipeline Enterprise. All of this was done under conditions of saving over 60 million cmN throughout the entire extraction, transportation and consumption network.

The achievements obtained are also the result of the efforts made by all the parties involved in the consolidation and continuing modernization of the current production base. In 1982, for example, we put into operation the first Romanian-made compressor station using electro-compressors rated at 10,000 hp, which provides an increase in flow of approximately two million cmN per day. Currently, three other such compressor stations are under construction and being assembled at Danes and Filiteluie (Mures County) and at Taga (Cluj County).

The Natural Gas Central's fulfillment of important plan tasks this year is influenced, however, by whether or not a series of enterprises in the machine

building industry, the chemical industry and other branches honor the contractual timeframes for certain types of machinery, equipment, installations and materials. Among these we can mention: pushing the production of the scheduled motorized gas compressors at the Bucharest "23 August" Enterprise; the Ministry of the Chemical Industry's supply of yet another 100 tons of ethyl sulfur alcohol for the odorization of natural gases; the Tirgoviste Enterprise of Petroleum Equipment's production of 2HD-100-MA drilling installations and the delivery this year of three units at least and in 1984-1985 of another 15-16 units; the same unit's delivery of the four T-50 installations that should have been delivered in the first quarter of 1983, under the provisions listed in the contract. The same unit must urgently deliver the 1,000 pairs of 4.5 inch connectors that should have been delivered during the first quarter of 1983. With regards to the 2-3.5 inch tubular materials, although the central had in 1982 and still has this year the allocation to receive them from the Zalau Pipe Enterprise, this unit is not honoring the allocation since it still cannot produce these types of threaded pipe.

In reference to activities to maintain and repair gas installations, we must point out that they have been much improved compared to past years. For this year, a plan was forecast that was approximately four times greater under the heading of reconditioning spare parts. In order to successfully achieve these tasks, in addition to a substantial increase in the central's own efforts it is necessary for the 22000 series bearings for drilling installations supplied by the plant in Birlad to have all the characteristics required by the specific, different working conditions.

Both for this year and in the future, the central is calling upon the consumers of large amounts of natural gas (the large production units making construction materials, the chemical fertilizer combines, the hot sectors in the machine building industry and so forth) to schedule their repairs on equipment and installations especially during the winter period. This is for two reasons: on one hand, it greatly eases the situation of covering the peak loads for the other consumers in the national economy and, on the other hand, the construction materials and other energy-intensive products produced during the March-September period require a per-product specific average consumption level that is much smaller than those produced during the winter period.

In the complex activities in prospecting that have been undertaken in Transylvania, as well as throughout the entire country, to discover new gas-bearing structures, a series of complex exploration methods was used, beginning with the geological mapping of the surface and proceeding to seismic prospecting. Along the way, we proceeded by way of a selection of these methods in the sense of carrying out such efforts using methods that have proven to be and are proving to have a maximum efficiency. Currently, seismic reflection prospecting is being used with a maximum of efficiency and has already covered over 80 percent of the investigations made into the Transylvanian plateau. Today, it is being done with ultra-modern equipment (analog stations) and improved technologies, with the basic data being processed by computer. All this has led to the possibilities of making certain more effective and efficient decisions.

One of the paths that is also leading to the more rapid growth of natural gases production is the shortening of the timeframes for the start-up of production of newly-discovered sources. Until the 1970's, the start of production of certain gas-bearing structures took a relatively long time (on the order of 10 and even 15 years). After this period, we find a noticeable reduction of the timeframe needed to start production on structures that were proven to contain gases due to a group of factors, including: the increase in effectiveness in finding and identifying new sources; the increase in the amount of geological drilling activities; the shortening of the time needed to drill and sink the production probe; the improvement of the complex geophysical investigations made at the drill hole, and so forth. At the same time, it should not be forgotten that the amount of time needed to put a well into operation is still also dependent upon the placement of the well in the gas-bearing structure.

Among the overall group of concerns of the workers, a special place goes - alongside increasing production - to those actions that deal with the reduction of the consumption of gases by the users.

During the first years of the current five year plan, a broad range of burners for natural gases were designed and put into production that will respond to the ever more economical and efficient burning requirements for various furnaces, heaters, boilers and diverse installations in all the branches and sectors of activity. The burners designed by the Center for Research and Design for Natural Gas are put into production by the Natural Gas Mechanical Enterprise. For the purpose of improving burning, that is, raising the thermodynamic efficiency of the burning, there has been and is consideration given to a series of parameters, including: meeting the optimum formulas for burning in furnaces or powered equipment (temperature and the chemical composition of the burning gases); totally reducing the non-burned gases or incomplete burning; achieving a burning with a minimum amount of excess air; broadening the range of operation of the burners having a maximum/minimum relationship of up to 10:1; introducing pre-heated air that has been obtained by recovering burned gases, and so forth. In this manner, burners were produced having higher thermotechnical parameters and levels of efficiency comparable to those produced throughout the world.

In order to increase the efficiency of burners, devices were produced that automatically regulate certain parameters in the burner equipment, such as: direct pressure regulators, regulator valves, gas-air mixture regulators, and so forth. The measures that were taken led to an increase in the efficiency of furnaces by 27-32 percent compared to the 15-25 percent achieved prior to this production. These production efforts led to the complete elimination of imports of these types of products.

All these efforts are capable of satisfying the rational consumption requirements of the users under conditions of increased efficiency.

8724

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PROGRESS IN CONSTRUCTION OF NEW ENERGY INSTALLATIONS

Bucharest REVISTA ECONOMICA in Romanian No 22, 3 Jun 83 pp 7, 8

[Article by V. Boescu and C. Barnea: "Putting New Energy Projects Into Operation On-time"]

[Text] During this five year plan, the energy industry is benefiting from large amounts of investment funds that are designed to ensure the efficient use of the resources that we have available.

One of the essential problems in this area is the bringing on-line in the production circuit of new projects in the shortest possible time. In connection with this, comrade Nicolae Ceausescu stated at the recent Working Conference of the RCP Central Committee: "Let us ensure the start-up of production at all the facilities listed in the plan for this year and, by the end of the year, let us put into operation some additional production facilities... Let us no longer admit, for any reason, to exceeding the timeframes for completing an investment project or starting an investment project without having ensured its completion within the established timeframes."

The investment program of the Ministry of Electrical Energy calls for the following main directions of action:

- intensifying the program for building thermo-electrical power plants that use coal;
- increasing the rate of construction in completing the program for hydro-electrical projects;
- continuing the work to manage coal supplies and modernizing the coal-fired thermo-electrical power plants at Rovinari, Turceni, Deva, Isalnita, Oradea and Doicești for the purpose of increasing the production of power using coal and increasing economic efficiency in general.

Keeping in mind the importance of putting investment projects into operation on-time, REVISTA ECONOMICA undertook a new investigation (also see REVISTA ECONOMICA No 47/1982) at the large worksites on energy project construction and assembly and whose results we are publishing below.

The Rate of Work at the Construction Sites

The analysis undertaken at the large hydro-energy and thermo-electric power plant construction sites demonstrates the increase in the rate of work compared to the last half of 1982 through the better organization of activities, the participation of large amounts of human and mechanical forces and the achievement, and even overfulfillment in many cases, of the provisions in the work schedules. During the first 4 months of 1983, they achieved an amount of investments that was 24.8 percent greater than during the same period last year. As a result, new installations were put into operation at H.C. Somesul Cald, H.C. Golesti and H.C. Petresti. At the same time, the installations at H.C. Tismana and H.C. Scropoasa are in an advanced state of work, with these units slated to start operating in the second half of this year. At the thermo-electric power plants, new groups have started-up at the Pietesti Sud plant, the Zalau plant, the Navodari plant and so forth. Similarly, installations at the Turceni plant and the Galati plant are in advanced stages of work and pre-start-up testing. These days, at the Turceni Thermo-electric Power Plant start-up testing has begun on the No 5 energy group (acid cleaning, blow-outs, breaking-in mechanical and electrical systems) so that by 20 June of this year it can be tied into the national energy system.

Another important project, in an advanced stage of work, is the one at the Giurgiu Thermo-electric Power Plant, operating on coal. Within the central, which will supply electricity and thermal power to the chemical combine and the city of Giurgiu, pressure tests were started on boiler No 1, the 110 Kw station was powered-up, as were internal circuits, and they practically finished the work on the chemical filtering station, and so forth. Intense work is also being carried out in finalizing the management of the coal supply.

Similarly, we should also stress the activities that are being carried out at the coal-fired thermal power plants (Isalnita, Rovinari, Turceni, Deva and Doicești) and the carrying out of projects to extend and modernize the management of the coal supplies, which will contribute to increasing the coal storage capacity this year by 800,000 tons, a fact which facilitate avoiding the situations of the past when the user units could not accept large amounts of coal for processing and proper operation of the power plants.

Intense activities are also being carried out at other large construction sites. Thus, at the hydro-electric projects at the Portile de Fier II [Iron Gates II] and Riul Mare-Retezat, in order to achieve certain physical states which will ensure the faster start-up of the first two groups (at Portile de Fier II), as well as the recouping of shortfalls in underground work (at Riul Mare), special measures were taken with regards to the timely supply of necessary materials and concerning the better organization of each work group by applying high efficiency advanced technologies and using on-hand mechanized resources at higher parameters. At the Portile de Fier II, for example, in the wake of the measures that were taken, they managed to pour each day up to 3,000 cubic meters of concrete, a fact which ensure the conditions needed to close off the Danube on the Romanian shore, while at Riul Mare they managed to attain 500-650 linear meters of underground excavation per month because of the measures that were taken.

Maintaining these high rates of work will also continue to require the timely provision of materials and necessary fuels and the operation of on-hand mechanical equipment, along with the introduction and consistent extension of advanced technologies and our own experiences.

As is known, this year we are to start-up the first group at the Anina central, which operates using bituminous shale. Constituting a debut not just in our country, but also at the worldwide level, the use of bituminous shale at Anina in the energy-production process is enjoying special attention from the specialized research institutes and the responsible ministry. In order to intensify the work this year, qualified workers from other energy project construction sites were brought in, a fact which led to recovering certain shortfalls, allowing the work being currently done on the main building (the boiler room and the turbine room) to be on schedule. These days, they are intensely working on the assembly of the rotor on the first generator and the high pressure pipes. Progress is also being recorded on the shale supply system, where they recently finished the storage area, completing the work on assembling the shale unloading machinery. There are also good results in the activities in the hydrotechnical realm at the efforts to dam the waters at Gura Golumbului and at the pumping station, the cooling towers and the water reservoirs - where, in many cases, they are ahead of schedule.

Overall, one could state that this year greater efforts have been made for the preparation and proper progress of work on the majority of the construction sites, recovering significant shortfalls from previous years. Despite all this, if we were to refer to the precise adherence to the start-up schedules, we would have to note that there are some gaps which reflect the maintenance of certain shortcomings which cause some activities to not be carried out in accordance with the work schedule. What causes such a state of affairs?

Preparing For the Investment Project - A Decisive Factor

A decisive factor in completing investment projects on-time is the timely preparation for them. Primarily, this requires the on-time provision of documentation, the clearing and preparation of the location, the effective contracting for the necessary equipment and materials, the organization of the construction site and the provision of the necessary technical resources and appropriately qualified workforce, and so forth,

Despite the fact that such a preparation for attacking a new investment project must be done on-time, there still are cases where some projects are started without ensuring all the necessary conditions, feeling that they will be resolved while the work is underway. Unfortunately, in most cases where they have proceeded in this fashion, the completion of the projects suffered because of deficiencies in organization, a lack of synchronization in the assembly of installations and a lack of mechanized equipment or manpower. Thus, we can explain the fact that some of the projects listed in the schedule (at H.C. Sebes-Sugag and at H.C. Riul Mare, at the Drobeta-Turnu Severin Power Plant and the Borzesti and Zalau plants) are being delayed, particularly affecting the start-up of these projects.

The measures that are being taken as a result of the analyses that are being conducted at the construction site level and at the enterprises and ministry-level - measures to concentrate manpower and machinery from one worksite to another or to introduce more productive technologies - are helping in many cases to recover some of the shortfalls and to stay within the work time schedules. Certainly, many of the shortcomings could have been avoided right from the start if, in preparing for the projects, they had resolved on-time all the problems in a specific manner and not just on paper.

If some of the shortfalls are the fault of the units that belong to the Ministry of Electrical Energy, with prompt action being taken and, in many cases, effective solutions being found, the same thing is not being encountered when we talk about some of their collaborators, be they builders-assemblers or suppliers of materials and equipment. There are construction sites where the activities themselves are ahead of schedule, but, because of the failure to receive on-time the equipment that was contracted, the activities are interrupted, a fact which leads to falling behind the start-up schedule. Such situations exist at the construction sites at H.C. Galbeni (on the Siret) and H.C. Dragan - where, due to the failure of certain specialized units of the Ministry of the Machine Building Industry to deliver different types of equipment (the timeframes were several times rescheduled), activities were slowed, seriously endangering the established start-up schedule. If, for example, the machine builders were to urgently deliver to H.C. Dragan the turbine, generator and other related equipment, the power group would be able to still start up this month.

Delays in the delivery of certain equipment (especially turbines and high pressure pipe) cause the rate of work to fall outside that listed in the schedules. This was found to be the case at the thermo-electric power plant construction sites at Drobeta-Turnu Severin, Zalau, Borzesti, Giurgiu and Anina. At the Borzesti site, for example, they are encountering difficulties in maintaining the continuity of work because of a lack of high pressure pipe (supplier: the "Vulcan" Enterprise in Bucharest); at the Anina plant they still have not arrived even though the contract timeframes have expired for different types of equipment, drive groups, transporter belts and so forth from the "Unio" Enterprise in Satu Mare, moisturizing mixers from the Baia Mare Metallurgical Enterprise for Tools and Machinery, safety valves from the Zalau F.A.O. Enterprise, pumps from "Aversa", high pressures fittings and by-passes from the Tirgoviste Petroleum Equipment Enterprise, and so forth.

At other construction sites, however, not only are the equipment suppliers the ones who are causing shortcomings in the proper progress in the work, but also the builders whose enterprises belong to the Ministry of Industrial Construction. Thus, at the Turceni Thermo-electric Power Plant at group No 5 the technological tests scheduled to have been carried out several months ago have not been done because the construction enterprises delayed completing certain construction and assembly work.

Certainly, such shortcomings would not have occurred if the collaboration between the units of the Ministry of the Machine Building Industry, the Ministry of the Metallurgical Industry, the Ministry of Industrial Construction and the Ministry of Electrical Energy had been well worked out and if each party involved had rigorously fulfilled its obligations. That is why currently it is necessary, more than any other time, for this collaboration to be reinforced and for the responsibility of each party to be completely respected. Any delay in completing certain project work can lead to delays in the on-time start up of energy projects.

Since the experience of the past years has fully shown the interdependency between the on-time completion of energy investment projects and the level of energy production, it is necessary to take measures at all levels - at the construction sites, the enterprises and the ministries involved - so as to recover shortfalls and adhere to the start up schedules for all investment projects this year. At the same time, it is necessary to take measures to provide conditions for the normal carrying out of activities at the project construction sites where, in the first part of 1984, a series of large power units are to go into operation. Additionally, it must be kept in mind as well that in 1984 the volume of investments in energy projects will increase by 30 percent compared to this year. The carrying out of these new tasks requires, thus, the elimination of all the shortcomings that are currently still being seen. The main thing is to know the needs of each worksite and to find solutions to eliminate shortcomings, concentrating efforts especially upon those investment projects that can make a substantial contribution to increasing electrical energy production.

8724

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MEASURES TO IMPROVE AGRICULTURAL ACTIVITY

Bucharest REVISTA ECONOMIC in Romanian No 22, 3 Jun 83 pp 11, 12

[Article by Ovidiu Popescu, deputy director in the Ministry of Agriculture and the Food Industry: "Raising All Activities in Agriculture to a Higher Level"]

[Text] The recent Working Conference of the RCP Central Committee on the problems of industry and agriculture, as well as the Plenary Session of the National Council of Agriculture, the Food Industry, Silviculture and Water Management, saw a responsible and efficient analysis of the problems occurring in the current process of agricultural production: the manner in which actions have been taken in the campaign to seed the spring crops and the measures that are being taken to prepare the work for the harvest, to clear the fields, to seed for double and successive crops, the actions needed to irrigate the crops and achieve the program for developing irrigation, the level of supplying fodder, and the improvement of activities in zootechny.

The guidelines and directives issued in connection with these problems by the secretary general of the party, comrade Nicolae Ceausescu, concentrate at the present time the concerns and efforts of the central and county organs of the branch, of the unified agro-industrial councils and of the work groups in each state or cooperative unit and each specialized institute for the purpose of concluding the agricultural year with good results and the creation of the premises for attaining the levels of crop and animal production and the efficiency indicators that have been established for the current five year plan.

A Total Mobilization to Fulfill the Plan

In agriculture, during this spring an intense activity was carried out, achieving on-time and under good conditions the seasonal seeding and work. The workers in this branch, under the guidance of the party organs and organizations, ensured the carrying out of the spring planting over an area of approximately five million hectares in the socialist units and over 1.1 million hectares on the people's farms, while currently there is a continuation of the planting of the last areas with vegetables and the replanting of those fields affected by the drought. The spring planting was done during the optimum period and with a level of quality superior to that of past years, although the conditions of this spring required special technical and organizational measures. Greater attention was given to the quality of the seeds that were used, to the appropriate preparation of the seed bed and

to the achievement of the right densities - which, under normal precipitation conditions, will be able to ensure a further normal development of the crops. With regards to the crop maintenance work, by the end of May they had completed the first weeding of the sugar beets, sunflowers, corn and other crops and are now carrying out at a sustained rate the second weeding. By mobilizing all the inhabitants of the villages and the use of all available equipment, they will be able to carry out on-time the crop maintenance work which, under the conditions of this year, represents an essential action for achieving a good production.

In the vegetable sector, as a result of applying the established technologies, of ensuring the necessary transplantings and of appropriately placing the double and successive crops within the units, the premises were created for the achievement of additional production and for supplying the population and the canning industry. To date, for the very early and early vegetables the harvest is better than it was last year.

Under the conditions of an extended drought, which, in the southern counties of the country, has affected some of the grain crops as well as some of the spring crops, special attention has been given to applying water to the managed fields and to irrigating from local water sources. Thus, by the end of last month water had been applied to approximately two million hectares, two waterings to more than one million hectares and three waterings to approximately 500,000 hectares. Cooperatist workers and all workers in agriculture, as well as the other residents of the villages are participating in the irrigation and watering of the crops on as broad an area as possible so as to diminish the negative effects of the drought.

The Summer Campaign - Organized in an Exemplary Manner

In the spirit of the directives issued by the secretary general of the party, measures were carefully examined for preparing and carrying out the work for the summer agricultural campaign - harvesting, clearing the fields of stubble, preparing and seeding double crops and carrying out the summer plowing. Under the specific conditions of this year, they will end sooner and the collection and storage of the crops will be completed in a shorter period of time and without losses. During this campaign, we have a number of tractors, combines and other equipment that will allow the work to be completed in at the most 4 days for barley and 6 to 10 days for the wheat. Along with the mechanical harvest, measures will be taken for the manual harvesting of almost-ripe wheat and barley, to which end the units will provide on-time the necessary scythes and sickles.

In order to have the harvest within the established timeframes and without losses, a significant number of combines will move out into the fields in three stages in the counties in the western part of the country and in Transylvania. The use of the combines, tractors and transport vehicles at full capacity requires that all the work in the summer campaign be carried out on a continuous basis and the harvest of the grain crops be organized in large, complex formations which will simultaneously carry out the harvesting, the

transportation of the products, the clearing of the fields and the planting of double crops. The necessary number of mechanized equipment operators will be provided from the permanent personnel of the agricultural mechanization stations and supplemented by tractor drivers from industrial units, cooperative workers who know how to drive a tractor, students from the specialized educational units and technical and administrative personnel from the agricultural units. All personnel were instructed so as to understand and operate the equipment, especially the new equipment, such as the C-144 combine. At this time, there was stress upon the manner of conducting the harvest under the specific conditions of this year when the grain crops have a smaller stalk, making it necessary to appropriately regulate the combines so as to avoid losses of grain and the collection of the full amount of the heads and husks. In this regard, 4,400 field camps have been prepared, which will permit the housing of the mechanized equipment operators in trailer sleeping quarters, the serving of meals, the supplying of fuels and oils and technical assistance so as to not lose a single good moment of work.

The participants in the discussion stressed that, currently, in all the agricultural mechanization stations the equipment slated for the harvest is ready and they can fully start the harvesting of the barley in those regions where conditions permit. They pledged to work to carry out all the work in a spirit of exemplary order and discipline.

A program was drawn up for a supplementary search and harvest of barley and wheat seed in those counties having good production so as to ensure the necessary amount and to make up for those counties which, this year, will not be able to produce the necessary amounts of seed. So as not to endanger the germination, the seedstock will be harvested at a maximum level of humidity of 16 percent and there will be an organization of the conditioning of the seed along with the harvest.

The transportation of the products from the fields will be achieved along with the harvest, directly from the combine to the place of storage so that the harvested agricultural products will not remain in the fields exposed to bad weather.

Special Programs to Diminish the Negative Effects of the Drought

As the secretary general of the party stressed, under the unusual conditions of this year it was once again demonstrated the importance and necessity of irrigation for Romanian agriculture. It plays an essential role in increasing production and the stability of the harvest and, as a result, in ensuring good supplies to the populace and satisfying the needs of the national economy. "When I spoke at the 12th RCP Congress about a new agrarian revolution," stressed comrade Nicolae Ceausescu, "I had in mind an intensive agriculture of high productivity, but closely tied to the achievement of irrigation programs, land drainage programs and soil improvement programs. Without this, in our country we cannot speak of fulfilling the objectives established by the 12th RCP Congress." In this regard, it was established that by 1985 at least

four million irrigated hectares would be achieved and in 1990 this figure would reach 5.5-6 million hectares, especially in the southeastern part of the country.

According to the special program, in this year there will be plans to irrigate 535,000 hectares and drainage will be accomplished on an area of 400,000 hectares. There are possibilities to intensify the rate of work at the water improvement worksites and to achieve new irrigation and drainage projects during this year - using all the sources of existing water - by way of simple, traditional and economical means that will ensure the irrigation of the largest possible area. People will organize broad and sustained actions to mobilize the necessary workforce and they will apply simple, constructive solutions using materials existing at the local level and using all the local sources of water, including ground-level water. At the large worksites, they will mandatorily organize the use of all equipment and formations of builders on extended shifts or two shifts, while for projects of a lower level of technical complexity the workforces in these regions will be trained. Emphasis was placed on the need to create in each county certain groups that will pursue and establish effective measures for carrying out programs. Similarly, special brigades will be created within the ranks of the cooperative workers and the workers in the villages and other localities who will participate in the achievement of the irrigation and drainage programs.

Currently, one priority problem is providing the fodder resources that will permit achievement of levels planned for the production of milk and the growth in the weight of meat-producing animals. For that reason, it is necessary to speed up the harvesting of perennial crops for hay, green fodder and silos in order to store certain greater amounts of fodder, as well as the harvesting and storage in the form of hay of all available grasses from natural pastures. For the purpose of the intensive use of arable lands, over 900,000 hectares will be seeded in double and successive crops in the socialist units and projects will continue for the regeneration of natural pastures, as well as those listed in the program to improve these pastures.

Similarly, measures are being taken to harvest and store all the leaves and reeds from the first period of vegetation (so that by September there will be a minimum amount of 575,000 tons in storage) and to identify and use new fodder resources - for example, grapevines, pine needles and subproducts from furfural factories.

The proposal was formulated that in those counties with poorer fodder resources they would send out teams of harvesters to harvest the hay in those counties having large areas of natural hay and good production.

In order to appropriately increase the numbers of animals, a program was also drawn up that calls for the efficient movement of certain numbers of cattle and sheep from those counties or regions affected by the drought to those where we have pasture and fodder resources. Those counties that receive these animals will have to provide shelter for them, limit the grazing areas and

identify those lands for harvesting and storing hay, give assistance in filling out the workforce to care for the animals and provide housing for those persons who care for the animals.

Improving Activities in Zootechny

In the spirit of the directives of the secretary general of the party, the participants in the discussions examined and made proposals designed to lead to the improvement of all activities in zootechny, especially with regards to the numerical and qualitative growth in the numbers of animals, the growth of their productivity, the increase in the weight of the animals, the reduction of mortality rates and the provision of the necessary amount of feed for the purpose of obtaining increased amounts of animal products.

For the achievement of the numbers of animals that have been planned, it is necessary to pursue with full exigency the covering and mating plans and the complete preservation of all pregnancies and the young that are obtained. To this end, appropriate conditions will be provided for caring for and feeding young females of all species in the specialized units or in farms having female stock, pursuing the raising, until the first offspring is obtained, of the full number of cows and ewes, as well as the judicious management of the animals by accepting the full number of milk cows, cattle, young bulls, cows, sheep and ewes from the people's farms.

Providing the state fund with animal products, in accordance with the provisions of the program of self-management and self-supply, requires adhering to the numbers of animals slated for slaughtering, the achievement of the average slaughter weights for them and the growth in the percentage of deliveries to the state fund from the production that is obtained. The delivery of cattle for slaughter will be done only at those weights over 400 kg, while for sheep over 32 kg, organizing the fattening of the entire group of young and reformed adults only in specialized units.

The priority programs which concern the raising of rabbits and pigs and the development of sericulture, apiculture and others, areas where there are certain shortfalls, will have to be completely fulfilled since they have the role of diversifying and completing the resources that are listed in the program of self-management and self-supply.

Special attention must be given to actions to modernize the barns and shelters for animals, including the mechanization of milking, a field where there are still shortcomings. Within the framework of modernizing the zootechnical farms it is necessary to give priority to those projects for managing maternity areas, creches and areas for the raising of the young, introducing water into the stalls, for providing equipment and installations to prepare the fodder and for applying certain technological and inexpensive and efficient construction solutions which, while providing comfort for the animals, will permit a reduction in the consumption of energy and energy-intensive materials and the use of certain local construction materials.

The Better Organization of Crop Rotation

The improvement of the production activities of the socialist agricultural units also requires the better organization of the land and crop rotation. Some state and cooperatist agricultural units have encountered difficulties in the organization of production and labor, brought about by the introduction of large-scale crop rotation at the level of the unified agro-industrial councils, having fields of 600 to 1,000 hectares and even more. The result of this was the placement of certain crops at long distances from the localities which required a great deal of manpower and the decrease in responsibility for applying technologies and carrying out good quality work. It was established that in each agricultural unit, depending upon the specific conditions in the area, the number and size of the crop rotation was to be determined keeping in mind factors such as the production goals of the units, the type of crops, their most economical grouping, the favorable conditions of the land, the type of land and the spread of the land, the type of crop system (irrigated - not irrigated), the number and spread of the localities, and so forth. It was proposed that there be organized rotations for those field crops on fields of 150-300 hectares when irrigated and 200-500 hectares when not irrigated, vegetable crop rotations on fields of 20-40 hectares, rotation for rice plantations and anti-erosion rotations for fields on slopes of 50-200 hectares. The length of time for the crop rotation will be 4-6 years for field crops and 3-5 years for vegetables.

It was felt that the organization of crop rotations by agricultural units gives a series of advantages, such as: a more judicious placement of crops according to the conditions in each unit, the better use of the labor force, the reduction in transport distances, the permanent and more efficient use throughout the year of certain formations of machinery and tractors (avoiding empty trips and the additional consumption of fuels) and so forth.

The exemplary fulfillment of the directives of the secretary general of the party, comrade Nicolae Ceausescu, will contribute to obtaining certain results in all the areas of agricultural production so as to powerfully increase the contribution of agriculture - as a basic branch of the Romanian economy - to the general development of the country. There is the full possibility - even under the difficult conditions of this year - to obtain high agricultural production and to ensure good supplies of agro-food products to the populace.

8724

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BRIEFS

DECLINE IN OIL PRODUCTION--A responsible source has pointed out a clear drop in Romanian oil production, with respect to target figures during the first quarter of the current year, since it totaled between 31 and 32,000 tons a day, i.e., the equivalent of between 226,000 and 234,000 barrels per day. This means that production will amount to about 11.6 million tons, i.e., 232,000 barrels per day during the year, whereas the production goal estimate for 1983 was 13.5 million tons, that is about 270,000 barrels a day. It is well known that Romania is trying to pay off its foreign debts, which amount to \$9.7 billion. In accordance with the ambitious energy plan, the Romanian government has been concentrating on the need to face up to the meager oil production, whose decline began during the last part of the 70's. Oil production amounted to 11.7 million tons during 1982, that is, about 234,000 barrels a day. Romania will aim at producing 14 million tons of oil next year, i.e., about 280,000 barrels daily, and 15 million tons in 1985, or some 300,000 barrels a day. At the same time, it has decided to change from dependence on electricity to an increased dependence on coal and nuclear energy, with a reduced dependence on oil and gas. A responsible source in the planning committee pointed out that the government has increased concentration on deepening the drilling processes to 10,000 meters instead of the 5,000 meters, at the present time. [Text] [Cairo AL-AHRAM AL-IQTISADI in Arabic No 748, 16 May 83 p 57] 7005

CSO: 4504/498

CAUSES OF LOW PRODUCTIVITY CITED, ANALYZED

Zagreb START in Serbo-Croatian No 372, 23 Apr 83 pp 16-18

[Article by Mirjana Popovic: "Idleness Protected By Law"]

[Text] Although we do not work a great deal in our country, and the work we do is inferior in quality and low in productivity, one cannot say that our workers are lazy. In some work environments in our country, and especially in those in other countries, our workers are extraordinarily industrious and successful, creative and enterprising. Why, then, do inactivity and disorder predominate in our country, both in production and administration, why are there more and more industrious idle workers and diligent loafers, what is the reason for this, and is there any way to put an end to this state of inactivity?

In our of our large work organizations, one can often see a rather unusual sight--there are workers sitting and playing cards in the empty production shops. The games go on for hours, days, and if we really were to count, even for months.

It is also rather interesting that there is no trace of ill-temper in most of the workers on account of this "work," which is not earning money, although, perhaps, it might bring some in for the skilled players. Everyone is relaxed, even in a good mood, and when the goods finally arrive and production can begin, one can sense a little unwillingness to get back to work.

Barely a kilometer away as the crow flies there is another work organization. The day it was announced that the machinery would be shut down because there were no materials to work with was awaited with anxiety. Hours, and then weeks of forced unemployment were counted off in gatherings of working people, at party meetings, at countless work meetings, at which one and the same question was asked over and over again--when will the material for reproduction arrive, when will work start up again. Much discussion and explaining was necessary to find out why production has been discontinued, much energy has been exerted to prevent some workers from going out and demanding "their right to work" in institutions outside of the factory enclosure where they believed the ones who were responsible for the stoppage in production were to be found.

Undoubtedly, both of these organizations are considered to be direct producers, both are part of our working class. In spite of the fact that these two examples are directly opposed to one another, it might perhaps be possible at least partially to answer the question--how is it possible that the same types of people in the same city are behaving so differently?

The first work organization has been on the list of known and admitted casualties for years. Because of frozen prices, disorderly relationships in the entire area of business to which this organization belongs, society has agreed to subsidize its losses. So this is not only how they get by, but a way of life. They work only when they have to work, they wait and play cards in the meantime, take in whatever income they can, and those for whom this is not enough may go to another job or another source of income. Of course, only when they have finished their day at work.

Those employed in the other work organization have never been among those who share what has not been earned. This is why they are in a state of panic--what will happen when the machines are shut down. Since they have had bitter experiences in the past they now plan ahead. Every month they put part of their paychecks into a special reserve fund. When the same thing that happened the last few months again takes place, and they are not able to be in production, they will distribute the money which has been saved. Nevertheless, everyone knows quite well that the money set aside every year is only enough for the equivalent of one paycheck, and that, in the event of the worst happening, they can stop work for a month at the most. After this, they can only pay out of those funds set aside for updating and improving machinery, for better work conditions, and for training which could one day lead to a new job and better pay.

The distribution of income for the benefit of those who were pre-paid for losses, for those who spend dollars they did not have to earn on the foreign market, does not only cause different behavior in those who are employed in the two organizations, but is also often seen in the form of real bitterness on the part of those who earned income toward those who, whether or not it was their fault, shared unearned income.

A close examination might show that there is hardly any organization in this country (I would dare to say not one) that works the way they should and as much as they should, and, thanks to expensive, and most often, imported machinery, the way and as much as they are capable of working. There are countless examples that show that our very capable workers (it is a fact that our workers are highly valued in the West) when behind the same machine as workers in a West German factory, produce less, produce poorer quality and create less newly created value upon which they depend. Is it a matter of laziness? It would be too simple if this were true. After all, workers working on machines are the only ones in our society for whom it is relatively easy to measure output, and with respect to output, measures personal income as well. At the same time this is why they are the most interested in producing as much as they

can and as fast as they can. Unfortunately, they are often inhibited in doing so by inferior organization of labor, and during the last few years, irregularity in supplies of necessary raw materials and materials for reproduction, both imported and domestic, has also been an inhibiting factor.

Poor labor organization is to a significant extent the result of the large amount of foreign technology we use, creating an inefficient, hybridized system. Indeed, more than 90 percent of all machinery, and even entire factory installations, as well as almost all licenses, have been acquired from the West. In addition, the import of technology usually means the import of the organization of labor by the pyramid system of superior and subordinate, one man in charge of another. This system gives good results in the West because the hierarchy of authority provides for the ultimate consequence--the possibility of losing one's job for not doing one's work or for doing it poorly. When we transplant this model into our system and create a hierarchy without genuine authority, on the one hand we make the organization itself ineffective, and on the other hand we make the development of our own model impossible, a model which would be, as we intended, based on agreement, collaboration, with the rights and responsibilities of the workers to work and to share the results of their labor.

But when one speaks of the organization of labor, it would be completely wrong to think only of the organization of labor in the factory, or without a work organization. How all other parts of society are organized also directly influence the output of the worker behind his machine. It is quite certain that a worker who must wait for hours at the dentist, or at some other clinic, who, because of poorly managed city traffic is late for work or exhausted when he gets there, or a worker whose child did not get a place in kindergarten, etc., will have his job performance adversely affected.

At the present time we do not have all-inclusive indicators that reveal how much we lose because of less enthusiasm for work, how many fewer new goods are created because of inconsistent maintenance of materials necessary for producers, and because of the continuous changes in economic conditions. Work organizations are aware of the fact that after frequent interruptions in production because of a shortage in supplies of materials it is very difficult to re-establish normal order and production levels, even after the materials have arrived. A "warm-up" time is needed. Often, changes in economic conditions (for example, an increase in the interest rate that banks charge organizations for needed funds, a ban on imports, or the removal of the power of SAS agreements concerning the supply of foreign currencies, even the administrative regulation of prices, and the like) create a unique psychosis of powerlessness in the work organizations, the inability to influence the creation of revenue. Motivation is lost (whether we work or not is all the same to us); the knowledge that someone else is making more money only because he chose to increase prices on the market places a

rather unusual goal before everyone (one which, in spite of all obstacles, is easier to realize than increased labor productivity)--the desirability of finding the type of management team that will be successful in getting approval for higher prices (in a situation where there is a shortage of goods, the market cannot reject something only because it is too expensive), a team that will choose a more favorable situation both with regard to supplies and the market. Thus, labor loses in value in an objective sense, it becomes important only in how much it earns, whether it is "functioning" well, and in society as a whole the one who is successful in making the most profit with the least invested labor becomes the most respected. After all, we built a good foundation for supporting this type of psychology long ago, when the most insignificant "white collar" worker, the lowest administrative clerk, had a higher social standing (and greater income) than a production worker.

It has been in vain that we have been concerned, even horrified, over the years, that the majority of children want to go to school to be trained for non-production careers. This only mirrors the way things are in society, it is a measure of the value of certain types of jobs, and this value is later reflected in the form of fatter pay envelopes, better working and living conditions, etc. Indeed, analyses consistently confirm that those employed outside the area of production of goods on average get an apartment quicker, have a higher standard of living, and are healthier (when it is a matter of job-related illnesses) than those who work on the production lines. And as the burden on non-production occupations grows, so grows the number of jobs in this area, and a larger share of income flows from production of goods (less, therefore, is left to distribute to production workers, and this decreases their motivation to work), and the growth of administration additionally, and reflexively, affects the conditions of doing business, according to the noted Parkinson's Law. Administration not only tries to increase in size as much as it can, but attempts to invent new jobs in order to justify its existence. Thus, the number of reports increases, the number of approvals, demands, requests, the number of verifications of the most diverse type which production organizations must give to the administration, and in order for the organizations to do all of this, they must have people to perform this function. So even the administrative personnel in factories and in other production areas increases. The circle continuously closes, only to open up again to take in revenue and to sap the ability of the economy to stimulate greater creativity and work productivity.

Our work organizations have persistently lost the battle, which has gone on for years, with the evil which is called the technological surplus of labor. The acquisition of new, modern, often fully automated machinery which purchased in order to increase labor productivity and competitiveness in the foreign market, most often results in lost efficiency because the number of workers employed remains the same, and often even increases. It is understandable that workers do not set aside money for new machinery so that later they would be without jobs, but the organization which thinks of this in advance and expands production is a rare one. Indeed, it is not only a matter of intent and rationale, but above all, an

orientation towards development, and money. And since so far the smallest share of investments has been the result of the needs and desires of associated labor, and the largest share has been decided on in other structures alien to direct production, it would be difficult to expect that these relationships will change in the immediate future toward the burden of foreign debts and the restrictive policies in all areas of life. The burden of the unemployed, whose numbers continue to increase, can only aggravate the technological surplus of labor. After all, the legal obligation of organizations to accept a certain number of new people is above all a social category, and it becomes an economic one only when a job is fabricated in which the newly accepted worker can earn a livelihood. A surplus of employed workers has at least two negative consequences. Revenues taken in are divided into more parts and thus serve as a social buffer instead of as a motivating force. In addition, dissatisfied workers disrupt work discipline. Everyone knows, even from personal experience, that it is enough for one idler to appear, a worker who gets more than he is really worth, to "drag" along with him a number of good workers who go by the logic, "if he can do it, so can I."

Data which were the subject of discussion in the Yugoslav Parliament over a year ago have not changed in the meantime. It was estimated that our workers lose about 30 percent of effective work time in inactivity while on the job. If one takes into consideration the decreased output of the worker because his capabilities do not correspond to the levels of the jobs he is performing, then the result is even worse--barely 60 percent of his work hours are used in a real, productive manner. And this is productive in the broadest sense of the word, because all jobs in industry were taken into consideration in this analysis. The results are no better even when data are analyzed for the entire social sector of the economy, and especially when data concerning the work output of specialized and college-trained specialist cadres are analyzed. Thus, for example, according to a questionnaire used by the Federal Economic Council in 1980, cadres with graduate-level and university-level specialist training effectively worked only 69 percent of work hours, a specialist with university-level training, who was employed in a job for which he was trained and made amenable, actually worked only 59 percent of all work hours, and one with graduate-level training, not even that much. Actually, this questionnaire showed something else--that only 52 percent of the specialists, about every other one given the questionnaire, worked in jobs which they desired, for which they felt interested in and capable of doing. In analyzing the results of this questionnaire, it was concluded that "the reasons that such a state exists regarding the disposition and use of the time and training of specialists are to be found in the out-dated and poorly adapted organization of labor and management, the unsatisfactory structural level of management cadre, inadequate cadre policy and treatment of, and regard for, specialists... Along with all of this, the number of administrative and non-production workers is increasing and the moral, social, and material motivation of production and creative workers is being neglected."

This material motivation, seen in the low personal incomes, in the leveling of salaries and the equalization of those who work and those who are idle, in the name of solidarity, results not only in a decrease in effective work during the normal work hours, but also in an increase in absence from work, and in greater interest in making money outside of one's job, in moonlighting jobs, which often become the dominant source of income for many.

The proclaimed policy of compensation according to one's work has ultimately yielded in many work environments to the slogan "no one can pay me as little as I can work." But above all, it would be a mistake to infer from this slogan that our people are lazy. The matter is really only one of the re-distribution of work hours. The worker who figures that it is not worthwhile for him to work at his job because his earnings possibilities are limited will avoid this job, will go on sick leave and will stay away from work as long as he can without threatening his job (social and health insurance, and possible additional payments for children), and he will actually save his strength and energy, even his creativity, for the work he does in his spare time. His working hours will thus be extended by more than is "lost" at his job, and when everything is added up, we would see that our workers are very industrious, that they actually work and create a great deal. It is true that words are not usually spared in complaints that moonlighting--that is, working during one's spare time--is the main reason for workers' lack of interest in the more useful and traditional work at his place of employment. However, it is often intentionally forgotten that working during one's time off is a consequence and not a cause (only later can it become a cause for less worker interest, simply because a worker gets tired), that the supplemental earnings mitigate the consequences of a real decrease in personal income compared to the increase in the costs of living. Moonlighting is a struggle to maintain at least part of one's standard of living, and in many respects it enables one to survive without greater shocks and ever more difficult situation of one's work organization.

Indeed, it is naive to think that someone wants to work so much that they would work during their spare time if they did not have to do so. Naive, of course, under the condition that one earns as much as he needs to during his regular job, and still exerts himself while on the job as much as he does while moonlighting.

Observations made by manufacturers concerning alcoholic beverages are interesting: whenever the economic and social situation becomes acute, the consumption level of the strongest and cheapest alcoholic beverages suddenly increases. And when one attempts to decrease consumption by putting pressure on personal income, a way out is found in working during one's spare time.

In other words, to see what happens and what sort of behavior takes place outside the regular job, it is worthwhile to seek answers in the relationships and the opportunities at the place of employment.

Related to this is the fact (presented at the last meeting of the Central Committee of the LCY of Croatia) that as much as 34 percent of the socially useful work in our country is performed and exchanged outside of regular work hours. If we compare this data to that which shows how much time employed workers waste on the job, it becomes more apparent that part of the creativity and energy intended for work flows over into the so-called spare time, time set aside for rest.

The worker who faces a 12 or 14 hour day adjusts his energy and efficiency to that time, and this will also be reflected in devotion to the place where he earns his personal income. But it cannot be doubted that he works, and works a great deal. Thus it is outside of associated labor that re-distribution of income takes place; this is not negative, but it would, of course, be more appropriate if it took place in an organized manner, if people were able to satisfy their needs with a normal working relationship. And these needs are two-fold--not only to get an additional source of income, but also to provide certain services and products which society does not offer to users or consumers in an organized way, and so are exchanged on the "black market."

In more recent times, another phenomenon has been observed in the development of our society which has an extremely negative effect on workers and on the social status of labor as values which should be the basis both for respect and for the creation of better living conditions. This phenomenon is the capitalization of a certain stratum of people. It is absurd that the owner of only about 100 million old dinars can live better off the interest on his capital than a worker in many of our factories, a worker who honestly and extremely diligently works his seven and eight hour day. Even this very possibility creates a negative relationship towards work, it corrodes the ethical relationships towards it and engenders a striving to create capital and to live off of it at any cost, instead of from socially recognized, creative work.

In view of the fact that, in spite of all appeals for awareness, the basic task of every economy is to satisfy the needs of the people to the greatest extent possible, and as every economy must first see to work and necessity, and only then need and satisfaction, if it is in no way surprising that a man, even the most ethical one, reasons: if it is possible to live better with less work, if this is possible somewhere then this is worthy of greater attention. And so is the striving to realize a situation which will make this possible. Thus economic policy affects morals and the construction of a social attitude toward work, devotion, creative work. And all the sanctions for which society reaches afterwards, when it feels that it has been moving in the wrong direction, are in vain; thus making stricter the Law Concerning Work Relationships, as well as having stricter punishment for the idler (even including throwing him off his job), as well as all punitive expeditions are only partially able to mitigate the consequences. But they do not eliminate the causes. A proper solution can only be found

in a system which will return to labor some social respect. A system which will insure that only work, real, creative, socially recognized work, will be well paid, that only the one who works can have more and live better. Of course, it is in the interest of society that work take place in the normal working hours, because during this time the worker is encouraged to devote himself to the greater extent. Until this is done, we will continually be returning to a question from the economic primer--are we lazy, incapable, or our own enemy because in our own country, in our own organization, we will not and cannot perform work, which, as guest workers in another country, we so heartily perform for others?

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YUGOSLAVIA

PRODUCTION, STATE PURCHASE OF WHEAT, 1970-1982

Zagreb DANAS in Serbo-Croatian 5 Jul 83 p 19

[Excerpt]

<u>Year</u>	<u>Hectares harvested</u>	<u>Wheat produced (in tons)</u>	<u>Wheat purchased (in tons)</u>	<u>Percentage of wheat available for the market (4:3)</u>
1970	1,831,000	3,790,000	1,487,000	38.7
1971	1,929,000	5,604,000	1,989,000	35.5
1972	1,924,000	4,843,000	1,958,000	40.4
1973	1,697,000	4,750,000	1,878,000	39.5
1974	1,842,000	6,282,000	2,671,000	42.5
1975	1,615,000	4,404,000	1,961,000	44.5
1976	1,723,000	5,979,000	2,799,000	46.8
1977	1,604,000	5,595,000	2,706,000	48.4
1978	1,712,000	5,355,000	2,479,000	46.3
1979	1,524,000	4,512,000	1,682,000	37.3
1980	1,516,000	5,091,000	2,149,000	42.2
1981	1,385,000	4,292,000	2,383,000	55.5
1982	1,559,000	5,239,000	2,728,000	52.0

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